

Vol. 778
No. 102



Wednesday
1 February 2017

PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Wednesday 1 February 2017

3 pm

Prayers—read by the Lord Bishop of Norwich.

Brexit: Residence Rights Question

3.07 pm

Asked by **Baroness Ludford**

To ask Her Majesty's Government what preparations the Home Office has made to process applications from European Union nationals resident in the United Kingdom for confirmation of a right to permanent residence or for British Citizenship.

Baroness Ludford (LD): My Lords, I beg leave to ask the Question standing in my name on the answer paper.

Noble Lords: Order Paper.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, I will now give the Answer on my answer paper. We continue to make the application process quicker and easier. In October 2016, the facility for single EEA applicants to apply for documents certifying permanent residence status online was launched. We are currently working to expand this service further. In addition, the date on which applicants are deemed to have acquired permanent residence status is clearly notified to them so they are clear on when they can pursue an application for British citizenship.

Baroness Ludford: My Lords, recuperating myself, I am most grateful for that Answer. I am gratified if there have indeed been improvements, because given the Prime Minister's claim about making the country fairer, I wonder how it is fair to make EU nationals—who have an automatic right to permanent residence after five years, as the noble Lord, Lord Bridges, confirmed in a debate last week—go through what many have said is a horrendous process to get a document from the Home Office attesting to that right. I have been told by the BMA that people cannot even fill out the 85-page document online. Can the Minister assure me that accounts of people being asked for reams of documentation, or receiving letters wrongly telling them that they have to leave immediately, are at an end?

Baroness Williams of Trafford: As I say to the noble Baroness, the system has been vastly improved. Having acquired permanent residence under the Immigration (European Economic Area) Regulations 2006, an individual must have 12 months free from immigration restrictions before pursuing an application for British citizenship. The inclusion of the date on which an applicant is deemed to have acquired permanent residence helps to inform applicants about the point at which they are eligible to apply for British citizenship. That

removes the uncertainty surrounding the process and the cost to the applicant of submitting an application that might be refused on the basis that they have not been free of immigration restrictions for the required time.

Baroness Hayter of Kentish Town (Lab): My Lords, the Question is actually about residency rather than nationality. In order to get residency status, people have to show that they have comprehensive sickness insurance. EU nationals were never told about that when they came here. In fact, most of them are eligible to use the NHS. Therefore, many of them will not qualify under the present rules. When the residency issue is finally agreed, will the Government agree to look at waiving the requirement for comprehensive sickness insurance so that people will be able to stay here under permanent residency?

Baroness Williams of Trafford: The noble Baroness raises a valid point about comprehensive sickness insurance, because not everyone is required to have it. People who are not economically active, obviously, and students have to show that they are self-sufficient in that sense. But I am very happy to clarify that in a letter, which I will make sure is in the Library, because it can be confusing.

Lord Pearson of Rannoch (UKIP): My Lords, what preparations do the Government understand that Brussels is making to confirm permanent residence for the 1.2 million British citizens living in the EU? As there may be some 3.5 million EU citizens living here, which makes mutual recognition more in their interest than ours, why do the Government think that Mrs Merkel and Mr Tusk turned down our offer for exactly such an arrangement?

Baroness Williams of Trafford: I cannot read the mind of either Mrs Merkel or Mr Tusk, but I think the Prime Minister was very wise to say that she would protect the status of EU nationals who are already living in the UK, as long as the status of British nationals in other member states was protected as well. She was absolutely wise to say that, because we would have been left high and dry otherwise.

Baroness Royall of Blaisdon (Lab): My Lords, yesterday I was in Berlin, talking about Brexit among other things, and one of my German colleagues from the Bundestag told me that in a recent citizenship ceremony in his constituency, in Minden, for the first time Brits were the largest group getting a German passport, therefore becoming dual nationals. Is the Minister surprised by this fact and does she agree that it is a sensible course of action and likely to become the norm for our fellow citizens who are suffering such uncertainty?

Baroness Williams of Trafford: I am not entirely sure it is a sensible course of action or indeed necessary. I could get an Irish passport, but I have not done so. I am quite confident that as negotiations proceed, a sensible way forward will be found.

Baroness Janke (LD): My Lords, in my own city of Bristol, there are a very large number of EU nationals, who were told recently that on the present rate of performance it would take the Home Office something like 128 years to process demands for British citizenship. Could she comment also on the fact that the bureaucratic process is making very many of the elderly people who have lived in this country for 30 or 40 years anxious and upset, and leaving them in a state of total confusion, because they are not aware of what papers they need or how to get them, and because they have not necessarily kept evidence over all the years that they have been in the UK? These citizens have contributed hugely to our economic performance. What is the Minister going to do to reassure them about their future?

Baroness Williams of Trafford: As I have said a couple of times now, we are ensuring that the online process is a lot more efficient now. People can bring their passport into post offices or other recognised places for verification purposes and get it back quickly, so they are not without a passport while their applications are being processed. I do not know where the person from Bristol got the figure of 128 years to process applications, so I cannot really comment on that.

Lord Clark of Windermere (Lab): My Lords, can the Minister advise us how many of the almost 70,000 European Union citizens working in the National Health Service have permanent residence? If they have permanent residence, does that mean that after Brexit, they will be able to remain and work in our health service?

Baroness Williams of Trafford: Anybody who has been living here for five years and meets the treaty obligation has permanent residence rights. Will they have them after we leave the European Union? I am not part of the negotiations and I really cannot provide a running commentary on the discussions that are taking place, but it is the Prime Minister's first stated objective that she wishes to protect the rights of EU nationals living here.

South Sudan

Question

3.15 pm

Asked by Lord Teverson

To ask Her Majesty's Government what discussions they are having at the United Nations to help to stabilise the situation in South Sudan.

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con): My Lords, we are deeply concerned about the ongoing crisis in South Sudan. Through the UN, we continue to work with our partners to strengthen the UN Mission in South Sudan to carry out its mandate effectively, focusing in particular on the protection of civilians. In the UN Security Council, we continue to consider actions to help work towards peace, including a possible UN arms embargo or targeted sanctions against those who continue to block peace negotiations.

Lord Teverson (LD): My Lords, I very much welcome the Minister's statement. While the tragedy in Syria has been unfolding, an unsung but equal tragedy has been happening in sub-Saharan Africa. Since July, a third of a million refugees have gone to Uganda alone. Will the Minister assure the House that the Government will continue to press in the Security Council for regional stability through Ethiopia, Uganda, Kenya and Sudan itself, so that the legitimate Government of South Sudan can get stability and start to move forward in this so far tragic newest state of Africa?

Baroness Anelay of St Johns: I am absolutely ready to give that undertaking, and I am glad to hear the noble Lord's support. He is right that this has been, in a sense, an almost forgotten tragedy. I am very much reminded of the report by the chair of the Commission on Human Rights in South Sudan, Yasmin Sooka, when she said that,

"it is conceivable that the scale of sexual violence ... already matches that of the Bosnian war—and yet we rarely hear about it".

Baroness Cox (CB): My Lords, is the noble Baroness aware that when I was recently in South Sudan visiting places outside Juba, I was of course aware of the horrendous problems, but I was also deeply encouraged by the resilience of many local initiatives by local people in education, agriculture and reconciliation? Many of those local NGOs, including the churches, cannot access DfID funding because of bureaucratic procedures. Will Her Majesty's Government consider ways to make funding available to those in-country NGOs doing such effective and much-needed work?

Baroness Anelay of St Johns: My Lords, I am always happy to learn from the noble Baroness's experiences on the ground, and I will certainly look at that. With regard to aid, we have taken a lead role. We have contributed £357 million to address the humanitarian crisis since the outbreak of conflict. The Government of South Sudan have continued to block access to some areas, but I give this undertaking to the people of South Sudan, one that I feel sure that the House will join: we will not abandon them.

Lord Chidgey (LD): My Lords, article 1 of chapter 5 of the South Sudan peace accord charges the unity Government with establishing an independent hybrid court to help bring justice to the country, yet in Juba last week the South Sudan Government said that that much sought-after hybrid court will undermine peace, which they say they need time to achieve, at the expense of justice for the victims of the atrocities in that country. As a member of the troika, do the Government support that analysis, and what action are they taking to persuade South Sudan to participate in the implementation of transitional justice as a priority?

Baroness Anelay of St Johns: My Lords, the August 2015 peace agreement indeed mandated the creation of a hybrid court for the most serious crimes, and we then urged and continue to urge the African Union to accelerate its implementation. I suspect that I shall raise these issues when I travel shortly to the region—

during the Recess, I hasten to add, in case the Chief Whip is listening. I am fortunate enough to be travelling to Kenya, Uganda and Burundi and, in Uganda, I shall be able to see some of the generosity given by the Ugandan people to refugees—to those who have suffered in this conflict.

Lord Collins of Highbury (Lab): My Lords, may I return to that latter point? Obviously the displaced people from this terrible episode are spreading across the region—in particular to Uganda, where the Bidi Bidi camp now has 250,000 people. Can the Minister reassure the House that the Government will give practical support and advice to Uganda in these difficult circumstances?

Baroness Anelay of St Johns: Yes, my Lords, I can give that undertaking. We will continue to work with Uganda and the way in which it supports refugees. There are nearly a million now in Uganda—not all from South Sudan—but thousands are arriving every day. That has left Uganda sheltering the third highest number of refugees in the world.

Lord Hamilton of Epsom (Con): My Lords, is not one of the great tragedies of South Sudan that when it broke away from the north it was given all the oil revenues, which at one moment amounted to some \$12 billion, and that gave it something to fight about?

Baroness Anelay of St Johns: My Lords, whatever the country has to fight about, we want to find a way to peace. We welcome the fact that President Kiir announced a national dialogue to provide a way of bringing people into a peace dialogue. The important thing now is to do more than announce it; we have to achieve it.

Lord St John of Bletso (CB): My Lords, does not the Minister agree that undermining President Salva Kiir threatens to further destabilise the country? He needs our support now more than ever. Does the Minister also agree that the United Nations could better utilise its time by building much-needed roads in the country?

Baroness Anelay of St Johns: My Lords, we give all our support to the peace process and that means encouraging President Kiir to ensure that the national dialogue is truly inclusive of all views in his country. With regard to the role of the UN Mission in South Sudan, this year the UK will provide more practical support there. Some of our troops are already in position scoping, but we will have up to 400 people in place there—technicians, engineers and those able to build and staff a hospital.

Lord Alton of Liverpool (CB): My Lords, I welcome the strong statement issued yesterday by the troika calling for an immediate ceasefire in South Sudan. Can the Minister tell us what Her Majesty's Government are able to do to help make that ceasefire a reality? Is not there an urgency, outlined by the 1.8 million people who are now displaced, as the noble Lord said;

the 1.1 million who have fled to neighbouring countries, accelerating the problem of mass migration and refugees; the 4.8 million who are currently food insecure; and the 3,000 new cases of cholera diagnosed already this year?

Baroness Anelay of St Johns: My Lords, I hope I have given some indication of that by talking about our support for the peace process. We will continue to take that seriously in the United Nations process. We are very disappointed that before Christmas our attempt to have sanctions imposed was voted down. The African Union felt that more time should be given before action was taken. Just about half the population are food insecure, and thousands are facing starvation.

Energy: Storage Question

3.23 pm

Asked by **Baroness Featherstone**

To ask Her Majesty's Government what action they are taking to address regulatory, economic and market barriers to energy storage.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Prior of Brampton): My Lords, my department and Ofgem recently held a joint call for evidence on a proposed approach for addressing these barriers. A smart systems plan will be published in the spring setting out specific measures to be taken forward.

Baroness Featherstone (LD): I thank the Minister for that Answer. Can he assure me that in the Government's response to that call for evidence we will see the introduction of a regulatory definition for energy storage that will, among other benefits, eliminate the double charging that is currently imposed on such facilities?

Lord Prior of Brampton: In paragraph 32 on page 34 of the call for evidence there is a suggested definition of storage. That is very much part of the consultation, and we will have a very firm view on that definition. Clearly removing the double charging where people who are operating storage also have to pay the end consumption levies is something for which we will have clear plans when we publish our response to the call for evidence.

Lord Spicer (Con): My Lords, with the exception of pump storage, is it not the case that genuinely commercial storage systems for electricity do not exist, even to compensate for unreliable renewable energy?

Lord Prior of Brampton: My Lords, as my noble friend will know, there are developments in new battery technology, such as lithium ion, which is a new technology that holds out huge hopes not just for powering electric vehicles but for storing energy, which could then be fed into the grid. The regulatory system is running behind the new technology, if you like, which is why we have issued the call for evidence.

Lord Grantchester (Lab): My Lords, this is indeed a very complex area. To allow greater deployment, a new definition for storage should be developed to reflect its role in generation, demand and providing network balance. Does the Minister agree that the licensing of storage under the Electricity Act should be a special flexible case to allow these roles to develop?

Lord Prior of Brampton: My Lords, battery technology could offer huge benefits to the way that we both generate and store electricity and could provide better capacity to our electricity system in the UK. It could also enable us better to deal with the more intermittent nature of some renewable energy. The work done by Imperial College indicates that the savings per annum for producing electricity in this country could run at between £1 billion and £2 billion a year, so it is very important that we get the regulatory system right.

Lord Berkeley (Lab): My Lord, the Government recently announced a special tariff addition to people's electricity bills to cover emergency stand-by generation to meet the peaks in—I think this was the wording—“weekday evenings”. Apparently, they are particularly targeting coal-fired power stations and nuclear power stations. How do you switch them on and off just like that for a peak in one evening?

Lord Prior of Brampton: My Lords, I do not think that there is any intention to switch nuclear power stations on and off to cover short-term peaks in demand; coal-fired generation, on the other hand, is much more flexible in that regard. The whole point of these new smart systems is to allow much better demand management over the peaks and troughs of energy demand so that, hopefully, we will need less generation capacity in the future than we have done in the past.

Lord Christopher (Lab): My Lords, further to my noble friend's last question, I believe that we are still using a good deal of nuclear energy—usually electricity—from France. Are we making any contingency arrangements, should there be problems post Brexit over the fact that we rely upon that source of energy?

Lord Prior of Brampton: My Lords, if there is any issue about availability of supplies from France, it probably relates more to the fact that a number of France's nuclear plants are nearing the end of their lives than to anything that comes out of Brexit. In fact, as the noble Lord may know, we are investing in more interconnector capacity, which would increase the capacity from 2,200 megawatts to more than 7,000 megawatts. Again, that should reduce the cost of electricity to our consumers.

Baroness Jones of Moulsecoomb (GP): My Lords, I do not hear the Government talking much about microgeneration, which provides a real opportunity to get local people to invest. Is that something that the Minister's department is looking at?

Lord Prior of Brampton: My Lords, again, the development of battery technology and electric vehicles means that every consumer in the country could become

a small generator in due course and be able not only to take electricity from the grid during downtimes but also to feed back energy from their electric car or their own battery in their own home during peak times. We are looking at, I think, a revolution in the way that we manage electricity in this country.

Syria: President al-Assad *Question*

3.28 pm

Asked by Lord Cormack

To ask Her Majesty's Government, further to the remarks by the Foreign Secretary before the Select Committee on International Relations on 26 January, whether it is their policy that President Bashar al-Assad should be allowed to run for re-election in the event of a peace settlement in Syria.

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con): My Lords, our long-standing position is that there can be no sustainable peace in Syria while Assad remains in power. He is incapable of uniting the country because of his military campaign against political opposition. Syria needs a transition to a new, inclusive, non-sectarian Government to achieve the credible political settlement that will bring long-term stability. This is set out in the Geneva communiqué and endorsed by UN Security Council Resolution 2254.

Lord Cormack (Con): My Lords, of course I thank my noble friend for that Answer but, in the light of the evidence given last week to the committee of my noble friend Lord Howell—I am so glad to see him back—I am somewhat disappointed. Could we not have a new, realistic approach, recognising that we cannot remove Assad? In the words of the patriarch of the Syrian Orthodox Church, who was here a few weeks ago, he should be a candidate in any election. Far be it for me to suggest that, if he wins, he would be invited on a second state visit—but should we not establish diplomatic representation in Damascus and be at the centre, so that when peace is eventually restored we will have played a constructive part in restoring it?

Baroness Anelay of St Johns: My Lords, we are taking a lead in the constructive discussions for resolving what is an appalling situation across Syria—a situation where, at the last election, the only opposition opponent to Assad felt it necessary at the last moment to encourage everybody in the country to vote for Assad rather than himself as a candidate. Assad has shown that he is incapable of protecting his own people, but I agree with my noble friend that we should not dictate an outcome. What we are saying is that Assad has not proved that he can bring peace to the country. We are leading the way in the Syria Support Group of the United Nations in trying to ensure that there can be a position where the Syrian people decide the next steps. My right honourable friend the Foreign Secretary said when he appeared before the committee of my noble friend Lord Howell, whom I am delighted to see today:

“I would hope that it would be possible to have a plebiscite or an election, properly supervised by the UN, in which all the 11 million displaced persons, including the 4 million who are now outside Syria, are fully entitled to vote”.

Lord Collins of Highbury (Lab): My Lords, we are a long way off the pathway to peace, but one principle—which I know the noble Baroness shares strongly—that we need to make clear in following that pathway is that there is no impunity and that people who are responsible for crimes against humanity are held responsible, come what may.

Baroness Anelay of St Johns: That is absolutely right and we will continue to take forward work with the United Nations and our allies to find a way in which those who have committed appalling crimes can be brought to justice. In particular, we are continuing to invest money in providing a way in which robust evidence that would stand up in the case of prosecutions can be collected and stored—and I pay tribute to the brave people who are collecting that evidence.

Lord Wright of Richmond (CB): My Lords, in view of a rather more positive interpretation of what the Foreign Secretary told the committee of the noble Lord, Lord Howell, can the Minister tell us whether the Foreign Office is considering any installation of a diplomatic presence in Damascus?

Baroness Anelay of St Johns: My Lords, certainly not. We have found in the past that Assad is an unreliable person in the dealings we have had with him. It would not be appropriate to show that we trust him in any way, because he is not to be trusted.

Baroness Northover (LD): My Lords, if the Foreign Secretary is shifting his position on Syrian elections, does the Minister agree that there needs to be a constitutional agreement to restrict current autocratic powers and, therefore, are we supporting Syrian civil society organisations and others in drafting such changes?

Baroness Anelay of St Johns: My Lords, I repeat that our position and policy have not changed. What the Foreign Secretary was trying to say, in his inimitable manner, to the Select Committee is that in the real world it is for the Syrians to decide. It is their decision; it is not for us to impose a solution on them. That has been our position throughout. With regard to the shape of any constitution, we would not wish to dictate that. It is for the Syrian people to be given an opportunity to discuss how that may be achieved.

Lord Tebbit (Con): My Lords, is my noble friend aware that I agree with her very much that it is not for us to decide who should be the President of Syria? But surely, once we take the step of saying who should not be the President, we are in effect transgressing against that very good principle that she just set out.

Baroness Anelay of St Johns: My Lords, I said that President Assad has shown that he cannot be trusted. He has led to the deaths of something like 400,000 of

his own people, has put tens of thousands in detention—I have met some of those who have experienced torture at the hands of people there—and has failed to provide a secure future for his country without the air power of countries such as Iran and Russia. That is somebody whom we do not see as being capable of providing a political solution and providing peace. However, what we are doing, and continue to do, through the UN Geneva process is to provide the opportunity for the Syrians to decide this matter. Whatever our view is, it is for the Syrians to decide.

Lord Hain (Lab): My Lords, is not the very problem with our foreign policy that, to use our own phrase, we have tried to dictate what should happen, not having learned the lessons from Northern Ireland that you do not impose preconditions when trying to resolve a conflict? To demand at the beginning with a bit of bombast and bluster that Assad must go—he was never going to—then say that he should stay for only six months, and now say that he cannot stand for re-election, is a failed strategy which is contributing to a disastrous catastrophe. Why do the Government not change course and recognise that he has to be negotiated with and a transition agreed?

Baroness Anelay of St Johns: My Lords, the noble Lord has interpreted what has been said in a way that is not accurate. Throughout this process we have always stressed that it is for the Syrians to decide this matter. We have also said that Assad cannot be trusted. That has been proven by his past relationship with us. The peace process is one in which the opposition groups need to come together in security to discuss the future. The Syrian Government have, of course, been part of that process. That is the objective of the UN procedure. That is why the Geneva process, which we hope and expect will be reconvened by Staffan de Mistura later this month, provides an opportunity for the future. As I said, it is not for us to dictate. We have said that we do not think Assad can lead the country to a peaceful future. The Syrians need to have a chance to decide that for themselves. That is what we are trying to provide.

Lord Green of Deddington (CB): My Lords, do the Government recognise that a considerable number of people in the government-held areas are supportive of President Assad? That includes the minorities, including Christians, and a lot of women who have had far more opportunities under the regime in Syria than elsewhere in the Middle East. Do the Government recognise—this is the key point on which I entirely agree with the noble Lord—that the collapse of this regime would lead to the most terrible revenge killing throughout Syria? We cannot allow that. We should keep our fingers out.

Baroness Anelay of St Johns: My Lords, where I entirely agree with the noble Lord is that nobody wants to see the collapse of the country. Whether it is the collapse of the regime by negotiated means is a different matter. But, as I stressed, the important thing is for the international community to give the Syrian people the opportunity not just to come together as they are doing at the moment, meeting in separate rooms in the same city, but ultimately to meet in the same room and come to a peaceful conclusion.

Technical and Further Education Bill

Second Reading

3.38 pm

Moved by *Lord Nash*

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, first, I express my gratitude to noble Lords who have already attended meetings with me and the Minister for Apprenticeships and Skills, Robert Halfon, or who have met with officials from my department to discuss the Bill. Across those meetings, there has been support for the principles underpinning the Bill. I welcome this and look forward to working with noble Lords to scrutinise the detail of the Bill to ensure that it meets our shared ambitions.

The Technical and Further Education Bill aims to build a high-quality technical education system that rivals the best in the world, providing the core skills our country needs to thrive. The measures in the technical education part of the Bill take forward the recommendations made in the independent review by the noble Lord, Lord Sainsbury of Turville, and indeed support the work of the noble Baroness, Lady Wolf of Dulwich, to increase the prestige and value of technical education. Currently, the technical option is undervalued—the poor relation to its academic cousin. Too often, those choosing technical education find that it does not provide a clear route to employment or equip them with the skills they need to get the job they aspire to.

The measures in the Bill will work to provide a genuine choice between a technical or academic route, whereby people can feel confident that either route will equip them for sustained employment. Indeed, when the noble Lord, Lord Sainsbury of Turville, gave evidence in the first committee session during the Bill's passage through the other place, he talked of the international lessons to be learned about parity of esteem between technical and academic routes:

“In most of the successful countries you find the two routes are equally well valued, so there is not a problem of the technical education route being considered inferior. You can have these two routes and both of them be highly valued”.—[*Official Report*, Commons, Technical and Further Education Bill Committee, 22/11/16; col. 13.]

That is what we are trying to achieve.

The technical education measures in the Bill extend the role of the Institute for Apprenticeships to give it responsibility for classroom-based technical education in addition to apprenticeships. It will be renamed the Institute for Apprenticeships and Technical Education. The institute will put employers at the heart of the technical education system, empowering them to identify the knowledge, skills and behaviours needed for particular occupations. This fundamental shift in the way that technical training courses are designed will enable people to get themselves into employment and provide our country with the skilled workforce it needs.

Part 2 sets out, for the first time, a clear process to be followed in the unlikely event of a further education college insolvency. These measures were carefully developed through consultation over the summer of last year. They apply the normal insolvency procedures

to colleges, and in so doing provide much needed clarity for creditors, which they have welcomed. But, importantly, the Bill puts in place protections for students through the introduction of a special administration regime that will have the special objective of avoiding or minimising disruption to the studies of existing students at affected colleges. These measures will ensure that students are protected if a college becomes insolvent.

That is not to say that we expect this process to be regularly used. The current programme of area reviews is well under way, working to put the further education sector on a better and more sustainable financial footing for the future. Part of the review process is to encourage colleges to consider needs and provision locally. That will help to ensure that the right provision is available in the right places. As I said, we do not anticipate that the proposed insolvency regime will be used often, but it is necessary to introduce greater rigour to the further education sector. We forecast that we will have spent approaching £140 million propping up failing colleges by March this year—money we can ill afford to spend.

Being clear that we will no longer bail out colleges that become insolvent will encourage improved financial management in FE colleges which may have performed less well in the past. We know from schools that, often, those running poorly financially also do so educationally, so we can expect to see a further benefit in improved educational performance.

Part 3 includes a measure to amend existing legislation to ensure that, after the devolution of further education functions and the adult education budget to a combined authority, FE providers and others will continue to submit relevant information to the national data system. This will ensure the continued availability of relevant data needed to make intelligent and strategic policy decisions about investment in further education.

The Bill received constructive challenge in the other place and, although it was not amended, we made changes to our approach outside the Bill on the basis of that challenge. I welcome the further scrutiny that this Chamber will provide, and I look forward to hearing the views of noble Lords as the Bill makes progress through your Lordships' House. The reforms in it will ensure that we improve the skills base in our country, increase economic productivity and protect students, while encouraging greater rigour regarding the finances of the further education sector. I beg to move.

3.45 pm

Lord Watson of Invergowrie (Lab): My Lords, it is a pleasure to welcome back the noble Lord, Lord Nash. We have missed his wit, his repartee and his general joie de vivre during the long hours that we have spent on the Higher Education and Research Bill. However, perhaps we should acknowledge his skills at delegation, because he has certainly dodged a bullet with that monster of a Bill and its 500-plus amendments.

I also welcome for the first time the noble Baroness, Lady Vere, to her position as a Whip on an education Bill. We know that she has the credentials but she has a hard act to follow: the last noble Baroness to hold that position used it as a launch pad directly into the Cabinet—so there is no pressure there.

We turn to our consideration of a Bill that is rather more modest than the one to which I have just referred, although not in terms of its aims, because it is hoped that it will have far-reaching consequences for those young people largely outwith the scope of the Higher Education and Research Bill. We are broadly supportive of what the Bill aims to achieve, although we believe that it will benefit from being strengthened in several areas. Labour presided over a significant expansion of further education, allowing thousands of young people across the UK to develop new skills and gain valuable qualifications. We continue to believe in the value of apprenticeships and that students should be able to choose from a range of quality courses.

The Bill contains proposals to implement measures contained in the post-16 skills plan, as the Minister said, and it also allows for an insolvency regime and anticipates the devolution of the adult education budget to combined authorities. All that is well and good but none of those issues can be divorced from the current financial health of the sector. By the sector, I mean post-16 education and training in general, which is very much the poor relation when compared with the funding directed at 11 to 16 year-olds and, indeed, higher education. The average funding per student in the sixth forms of schools and academies and in sixth-form colleges is now 20% less per pupil than the funding received to educate each 11 to 16-year-old and 47% less than the average university tuition fee. Perhaps the Minister can explain why it should cost so much less to educate a 16 to 18 year-old than a 15 year-old or a 19 year-old.

Despite what the Minister said in his opening remarks, the facts are that the sector is inadequately funded. Over the past five years, funding has seen a real-terms reduction of 14%. The allocation for 2015-16 fell further as a result of the 2015 summer budget, which reduced the non-apprenticeship part of the adult skills budget by an additional 3.9%. The worry is that the ongoing area reviews could move beyond the mergers announced so far and lead to actual further education college closures.

However, it is not only further education colleges that are feeling the strain. Last September, the Sixth Form Colleges Association reported that two-thirds had dropped courses as a result of funding pressures and three-quarters had limited the size of their study programmes. Eighteen months ago, the National Audit Office reported that more than 100 colleges had run a deficit in 2013-14. No doubt that was a major motivation for the Government in framing Chapter 2 of the Bill, which deals in some detail with the consequences of insolvency—however unlikely, as the Minister said, that may be, as I certainly hope is the case.

The Bill takes an important new step in outlining the college-specific insolvency regime and should bring greater certainty through a clear legal framework. Having a new type of administrator with responsibility for handling cases and to work to protect the interests of students is important. During insolvency, colleges would either be kept going or students would be transferred to an alternative provider, but we would like assurances that the proceedings do not disproportionately impact on students from low-income backgrounds, nor deprive teaching staff of a fair redundancy deal or access to their pensions.

The question is: why should such provisions be necessary? Prevention is surely always better than cure, and we believe that it would have been much more sensible, and indeed far sighted, had the Government decided to fund the sector adequately—on even, say, 75% of the rate per student in the higher education sector—rather than needing to prepare a large supply of sticking plasters ready to apply if and when accidents happen.

Although the Minister may dismiss criticism from these Benches, he cannot so easily do that with regard to non-political bodies such as the Institute for Fiscal Studies. Two days ago, that body warned that the Government's target to increase the number of apprentices risks being "poor value for money", suggesting that increasing the number of apprenticeships could come at the expense of quality. It expressed concern that the apprenticeship levy and its targets risk repeating the mistakes of recent decades by encouraging employers and training providers to relabel current activity and seek subsidy rather than seeking the best training. These are serious concerns that we believe the Government need to address.

As I stated earlier, further education is the poor relation in education. I take no pleasure in saying that it seems to be the poor relation in your Lordships' House too. Only 17 Back-Benchers have thought it worth while participating in this debate. Two months ago, five times that number took part in the Second Reading of the Higher Education and Research Bill, most, it has to be said, prefacing their remarks by declaring interests if not as practising academics then as chancellors, masters, members of court or holders of other senior positions in institutions. I mean no disrespect to noble Lords in the Chamber when I wonder how many will be required to do likewise today. However, we do have among us two former Secretaries of State for Education, as well as the redoubtable noble Baroness, Lady Wolf, whose reports of 2011 and 2016 contain much sage advice.

The Minister will no doubt refer me to the figures mentioned by the Government on what is being spent on apprenticeships. A figure of £1.5 billion is not to be dismissed—and we do not dismiss it—and of course the apprenticeship levy is expected to realise a further £2.9 billion by 2020. However, I have to say in passing that, although we on these Benches applaud the Government's initiative in introducing the levy, few employers have done likewise. It is at least interesting to speculate what would have happened had a Labour Chancellor made that decision. I suspect we would have been labelled "anti-business" by the Government's friends in the media. However, despite squeals from some employers, it seems that the *Mail*, the *Telegraph* and the *Sun* have been strangely uncritical.

The institute will have responsibility for the regulation of all technical learning and for implementing the post-16 skills plan and the 15 technical routes, stemming from the report by the noble Lord, Lord Sainsbury. But will the institute have adequate resources? It has not even come into operation yet but already it will have its remit increased from April 2018. Various major players in the sector, such as the Association of Colleges, the Sixth Form Colleges Association and the University and College Union, have concerns as to

[LORD WATSON OF INVERGOWRIE]

whether it will have the capacity to manage its new responsibilities effectively. It will be required to improve access and quality in the apprenticeship programme, while redesigning technical qualifications and establishing the employer panels. At the last count, the institute had 40 employees. Even with the best will in the world and a great deal of overtime, that seems a tall order. The Minister would ease many of the concerns by assuring noble Lords that additional resources, not least staff, will be made available to the institute.

There is also the issue of a crowded field when it comes to oversight. The Bill provides for roles for the institute, Ofsted, Ofqual and the Office for Students. Ofqual regulates English and maths qualifications, which will form an important part of the technical education programmes regulated by the institute, which also has overlaps with the OfS and Ofsted. These issues will need to be resolved, and we will look to progress that in Committee.

Further, there is the question of representation on the institute's board. We do not question the proposal that it should be employer-led, but there should also be a presence from the sector itself, in the form of the colleges, the staff who work in them and those who are learning—both apprentices and students. The institute will be required to establish an apprentice panel and, next year, a technical students panel. The mechanism for doing so remains to be agreed, but these panels will be ideally placed to have a representative on the institute board. Again, these are issues that will exercise us in Committee.

Clause 23 and Schedule 2 make provision for the transfer of college property and assets in the event of administration. Colleges and their estates are significant public assets which we believe should remain in the public sector for the benefit of local communities. We require assurances from the Minister that public assets will not be transferred to private, for-profit companies. This issue is one that he will recall me raising with him with regard to academies, and the potential pitfalls are similar. Academies are permitted to dispose of public land only with the express permission of the Secretary of State, and I anticipate the Minister will offer similar assurance as regards colleges. But we will seek additional protection to ensure that public assets are kept in public ownership. One means of achieving that could be to give the local authority special status as having a significant interest in the continuation of education in its area.

We know that careers advice in schools is rarely of the standard necessary to give young people the full range of options open to them. Too often, schools simply want as many of their students as possible to go on to university because it looks good in the figures they present to the Department for Education. However, it ignores the fact that for many young people a vocational or technical route is much more appropriate and probably more rewarding in both senses of the word.

There is also a need for further education students to receive careers advice and I have looked to see what the Bill has to say on that. A word search produced precisely nothing. I checked the Explanatory Notes—nothing. How can that be? A careers and enterprise

company was established by the Government with a £90 million budget for this parliamentary term to provide this sort of advice. It has a remit for further education as well as schools and yet many colleges are not covered by it, and none in London. Why is coverage not universal? Surely that is the ultimate aim. We need a timescale for that to happen and it should be quick. I hope the Minister will be able to answer that question in his closing remarks but, if not, again he will be invited to answer it in Committee.

One word that appears regularly throughout the Bill is “regulations”. It seems that every Bill we consider with a connection to education has that word running through it like a stick of Blackpool rock. Here we have provisions for the Government to issue regulations on a variety of topics, from disqualification of further education college governors to the fees that can be charged by the institute, and from college insolvencies to the transfer of property and other assets. I have said consistently in the past that much too much legislation is of a secondary nature and we shall see what the Delegated Powers and Regulatory Reform Committee of your Lordships' House has to say about this Bill. On past form it can be anticipated that it will not be enamoured of it.

There is so much background available on apprenticeships and technical education that it is difficult to keep abreast of it. Only last week we had the latest entry into that territory in the shape of the industrial strategy White Paper and the suggestion that there should be technical universities, whatever that might turn out to be. I wonder whether the noble Lord, Lord Baker, had a wry chuckle when he heard that, given his role in establishing city technical colleges three decades ago. As ever, I await his contribution with great interest.

We shall adopt a constructive approach to the Bill in Committee. In presenting Labour's case for a stronger technical and further education sector, our Front Bench team want to shape the Bill so that it increases the options available to students and delivers the safeguards needed to allow colleges to deliver quality teaching. The sector and those it prepares for working life deserve nothing less.

3.57 pm

Lord Storey (LD): My Lords, I welcome this thin Bill. I have always been concerned about how we regard technical and vocational education in this country; we are obsessed with young people having to fulfil an academic route. It is almost akin to failure if you do not succeed academically. I am not keen on the word “vocational”, and I do not think parents understand what it means. It is like saying, “I am doing it for love, not money”. Teaching was a vocation. I am pleased that the word is not being used.

If we are to develop a country which provides first-class skills, we need to enhance the status of technical education. Like the noble Lord, Lord Watson, I reflected—a word that was apparently much in use during the Higher Education and Research Bill—that we had 69 speakers at Second Reading for that Bill, while for the Technical and Further Education Bill we have 20. Does that not say something about our regard for this subject?

The Secretary of State said at Second Reading—this is important—that,

“half—last year, most—of our young people, often those from disadvantaged backgrounds will choose not to go to university, but to follow a less purely less academic route, or perhaps one that plays to individual strengths, talents and interests”.—[*Official Report*, 14/11/16; col. 41.]

The key to all this is not only providing a first-class academic, technical or further education but ensuring that young people know what the routes are, what they can do and what careers they might choose. Mike Tomlinson said at a recent Edge Foundation meeting on the EBacc that careers education is at best “pretty b.... awful”, and he is absolutely right. We pretend that we do careers education, but we do not: “There is a cupboard with some books in”, “Here is the latest government initiative”, and “here is what work we might do”. These are young people whose futures are in our hands so we have a responsibility to make sure that first-class technical education is available to them. If we want technical and further education to work, we must have effective careers guidance.

I understand that the Government are shortly going to announce their strategy. That is good, but any strategy, policy or provision is effective only if there is some regulatory support behind it, whether that is through Ofsted inspections, accreditation or a kitemark; nothing less will do. My own view is that a school, whether it is an academy, a maintained or a free school, should be described as “outstanding” or “good” only if its careers education is up to scratch.

The other problem we face with careers education is financial. The head teachers of maintained schools, academies and free schools are anxious to hold on to their students. They want them to move on into the sixth form because they are each worth a sum of money. They do not want them to go off to one of the UTCs of the noble Lord, Lord Baker, or an FE college because they will then be lost. Even if students are struggling academically the cry is, “Keep them in the sixth form. Let them repeat a subject and try again”. That is no way to deal with young people. We need to think outside the box about this. Why, for example, cannot UTCs and FE colleges have the right to go into schools and show students what is on offer? If schools are not prepared to do this in terms of careers advice, the colleges and UTCs should do it themselves.

Some people have referred to this legislation rather sarcastically as the “insolvency Bill”. I do not particularly go along with that, but there are issues with insolvency, some of which we will no doubt come to in various amendments. Again as the noble Lord, Lord Watson, has just said, if, God forbid, an establishment becomes insolvent, we need to make sure that protections are in place in terms of the real estate and the property, as well as for students and for courses. If a student in Northumberland is travelling 20 or 30 miles to their further education college—there is in this an issue about transport costs, and so on—and the course suddenly stops because of insolvency, what is the student to do, for goodness’ sake? We need to make sure that students and courses are supported and protected. Some colleges are already having difficulties regarding the banks’ willingness to lend to them and pension funds tightening their regulations because they are worried, so we need to make sure that those issues are addressed.

The noble Baroness, Lady Wolf, said in her excellent report, *Review of Vocational Education*, that at least 350,000 young people have been let down by courses which have,

“little or no labour market value”.

Young people are taking courses that are of little or no value in the labour market. I can remember when we got objective 1 funding in my own city of Liverpool. We filled the FE colleges with courses that were not relevant to our skills needs, such as hairdressing and beautician work. Both were fantastic, but actually they did not help the economy of the city one iota. However, the college was able to attract students because for some reason there was a certain cachet about taking a hairdressing or beautician’s course. As the Wolf report says, we need to make sure that the courses on offer are relevant.

We welcome the Institute for Apprenticeships and Technical Education and we are delighted that the Government have listened and included FE in the institute’s role. I had not realised, and was quite surprised to learn, that we have already announced the membership of the institute. I thought we would have had to wait for the Bill to pass. I am not sure how this happens. I am delighted that we have included two people from further education.

That is good news. The Minister looks puzzled, but I was told this by someone this morning. The noble Lord, Lord Hunt, indicates that I am right. Although I might be puzzled as to why this has been set up ahead of the Bill, I do not mind because we have included two people from the further education sector. That is good. I hope that that same principle will apply to the implementation routes and that we will include the FE sector in those as well. We need to understand how bridging between routes will be achieved. No doubt we will also want to understand in Committee how the transition year will work in practice, and where work experience might fit into this.

We constantly talk about social mobility—rightly so. We have talked about our world-class education system. Our Prime Minister has talked about a country that works for everyone. If a student goes into higher education between the ages of 18 and 21, their family gets tax credits. They get free prescriptions, free dental care, free eye tests, et cetera. When a young person—often from a disadvantaged background—takes an apprenticeship, which will of course include an element of training so in a sense they are still learning, the family loses out on tax credits. That is often a major disincentive for young people, particularly those from deprived backgrounds, to take up the apprenticeship. I hope the Minister will look at how we can support those families. We are talking about people we really want to attract. We want to get them on the road to employment.

The needs of the Cornish economy are different from those of Liverpool’s, so I welcome the fact that we are devolving some of the authority to a local level. Part 3 includes a measure to amend existing legislation to ensure that we devolve further education functions and adult education budgets to the combined authorities, if and when they are established. But as the National Audit Office reported, there is a growing financial crisis in further education. Indeed, it was its report

[LORD STOREY]

that recommended the creation of an insolvency regime. We need another “I”—investment.

Another issue that we will explore in Committee is that if a young person is training on the job—doing their apprenticeships and getting their training at the same time, at their place of work—we need to ensure the quality of the training provided. From speaking to the Government about that, we have been told that Ofsted will probably do sample inspections. We need to be careful that this is absolutely right.

To conclude, I quote again the Secretary of State for Education, who said at Commons Second Reading:

“The Government want to build on what exists in the further and technical education sector and steadily create a gold standard of technical education ... that students can be confident that ... they will be building towards a successful career”.—[*Official Report*, Commons, 14/11/16; col. 43.]

I think we all say “Hear, hear” to that, but it requires the Government to listen and to commit the resources.

4.08 pm

Baroness Wolf of Dulwich (CB): My Lords, I thank the Minister for his very kind words about my work on vocational and technical education, and the noble Lords, Lord Watson and Lord Storey, for their kind comments. I welcome the Bill for reasons I will discuss. I declare an interest as a member of the Independent Panel on Technical Education, chaired by the noble Lord, Lord Sainsbury of Turville. Many of its recommendations went into the Government’s skill plan and some are now encapsulated in the Bill, particularly those in Schedule 1 that deal with the institute.

The reason why I am particularly delighted to see this Bill—which, happily, is quite slender compared with the higher education Bill—is that, after many years of well-meaning but in the end pretty empty rhetoric, we are now aware that we need to do something as a country about our technical education system which is serious, immediate and properly thought out. For years, we have had a rather bizarre approach—I do not want to call it market-led—whereby government tried to achieve quantity over quality, with a huge number of qualifications; if there were 50 awarding bodies today, then 100 awarding bodies tomorrow would be even better. It was a very strange system. One result was that we reduced the quality and credibility of our technical and vocational system. That had been very good—it is not that this country never had a good system; it had a good system of apprenticeships and it destroyed it. Instead, we have on the one hand gone for this rather strange approach of “more, more, more and never mind the quality” while, on the other, being increasingly obsessed with growing a very uniform higher education system. In that, we are almost unique in the world in trying to have a single, huge university system in which all institutions do everything. If you compare that system with just about any other country, you will be very struck by the fact that, elsewhere, there has either been maintained or established a strong and distinctive technical route which is high-status in and of itself.

It is more than time that we did something to re-create this. We have effectively destroyed any high-quality, tertiary technical offer—it is what in the business they call level 4 and 5, but for the rest of us it is the

stuff you do after age 18. I believe that the Government are genuinely committed to re-creating that. This Bill is one of the major steps towards it, and I hope that it along with the industrial strategy and the policies introduced there mark the beginning of a serious reversal of years of decay. I look forward to looking in detail at the individual clauses in Committee.

I do not want to say any more now about the general importance of the Bill—I know that other speakers, particularly the noble Lord, Lord Baker, will be able to speak with enormous eloquence about the importance of this part of our education system. Instead, I want to talk about the insolvency aspects of the Bill, because I welcome those, too. I do so because one thing happening in our societies is a move towards near-universal involvement in tertiary education. In our country, we have moved at a remarkable rate to a quite extreme position in how far we fund tertiary education via student loans. We are very unusual in the degree to which we now use student loans and in the proportion of our funding that comes from them. Everything that I see in the Government’s proposals indicates that this will be increasingly the funding mechanism for non-university tertiary education, including post-18 further education, just as it has been in the higher education sector.

We need to recognise in this context the duty of government to carry out its role as a guarantor of quality. One of the earliest things that Governments existed to do was to ensure that weights and measures were true. A modern version of that is ensuring that the qualifications which government offers to its young and adult people are good and saying, “We will give you a loan if you take that”, thereby implying that the quality is good. It has a duty to ensure that, if anything goes wrong, it as the weights and measures guarantor and the underwriter of the loans protects the people to whom it has made an implicit and explicit promise of quality and of endurance. One of the very obvious things when you look at the modern tertiary scene is that, far too often, individuals enrol on courses or take out loans believing that they have that implicit or explicit promise from government but then find that this is not necessarily the case. Obviously, at the moment this is a minority issue but as we move to a larger and more heterogeneous tertiary system it will become more important that government explicitly recognises that duty.

I entirely agree with the noble Lords, Lord Watson and Lord Storey, that one reason why we need an education administration regime in further education is that the whole sector is crazily underfunded and expected to do things on a smaller scale than we do for 14 or 15 year-olds. Again, that is extraordinary and almost unique. It is hardly the way to guarantee high-quality technical education. However, whether or not that is the case, it is absolutely right that a Government providing a publicly supported education system should also have a system in which, if things go wrong, there is an administrator whose job it is to avoid or minimise disruption to the studies of existing students in the further education body as a whole. Where necessary, the administrator should rescue and maintain that institution as a going concern until people finish their studies. I really welcome the recognition in the Bill that

this is a duty of government. I wish that the Government recognised that same duty with respect to both higher education and private providers of training. It should be of enormous concern to all of us in the House that that is not the case.

Just a week or two ago, in talking on the higher education Bill, I related what happened with an alternative provider of higher education, the London School of Business and Finance, which lost its tier 4 authority. You had these heartbreaking stories of students who had paid money and assumed that this would be a safe thing to do. As one said, "I did not expect this to happen in the UK". Suddenly, they found their course collapsing around them. Just last week, it was clear that there would be a major issue around a failed private training provider, John Frank Training, which, a few months after returning record profits, collapsed into bankruptcy. Again, more than 500 people took loans to start courses with this training provider. While it is absolutely right and welcome that the Bill introduces an education administration regime for further education colleges—I truly welcome that—I would like the Government to consider as a matter of urgency why there is not a comparable regime for people in other parts of the tertiary system, including private providers of training funded by the Skills Funding Agency or the Student Loans Company, and higher education.

In conclusion, I am absolutely delighted that the Government brought this Bill to the House. This could be an important moment for the skills base of this country, for technical education as a high-status route and for a tertiary system that is fit for purpose rather than dominated by the idea that the only thing you need is a three-year bachelor's degree. I very much hope that in the months ahead the Government will build on this and go further, recognising even more explicitly their duty to the students and the borrowers of this country, to whom they made a promise.

4.19 pm

Lord Baker of Dorking (Con): My Lords, I welcome the Bill. It was very gratifying to hear from the noble Lords, Lord Watson of Invergowrie and Lord Storey, that there is agreement on all sides of the House that we want a better apprenticeship system.

Any assessment of an apprenticeship system and further education should really start from an assessment of what the skills gap is. I was rather surprised that the Government's industrial strategy document never attempted to estimate the size of that gap because, if we do not have skilled workers, it will not matter what industrial strategy we adopt. It simply will not be fulfilled.

Distressingly, the gap is growing greater year by year. In 2016, a CBI survey revealed that 69% of its members were,

"concerned about not being able to fill highly-skilled",

jobs. That had gone up from 55% in 2015, so within a year it rose quite dramatically. None of us were really aware of this being one of the problems in the skills area. Another report says that in construction in 2016, employers were,

"struggling to fill one in ... three",

places for skilled vacancies, which had increased from one in four in 2013.

Those vacancies were at the skilled labouring end of the skills gap but if you start at the top end with STEM graduates, the gap is even greater. The Royal Academy of Engineering forecast three years ago that we would need an extra 45,000 STEM graduates each year up until 2020 and we are just not meeting that. This year in Davos, the number of STEM graduates around the world was estimated and there was an interesting circular diagram, which showed that two-thirds of STEM graduates today come from two countries in the world: India and China. That is a clear indication of where the wealth of the world is going to go over the next 20 or 30 years. America came a distant third and I barely found where we were; we were a statistical blip. We were barely there on STEM graduates. The Government clearly must, first, improve the teaching of maths dramatically in our country because unless they do we will not get an increase in STEM graduates. I know that they have various proposals to do that but the importance of this cannot be exaggerated.

It is not only in mathematics. A report from the House of Commons last year stated that the shortage of skilled digital technicians was 745,000. When I went to see the chief executive of John Lewis, Charlie Mayfield, I wanted to speak about food technology because the university technical colleges doing that subject knew nothing about it. He was not very interested in that. He said that his big problem was that he could not recruit enough computer scientists to run his business, which is hugely logistical and requires very sophisticated computer skills. He could not get them from the English educational system.

Estonia's largest export is in fact computer scientists. Estonia is able to do that because it has had coding in schools for about 20 years. We are starting coding in primary schools this year, and it is done very patchily. The teachers obviously cannot teach it and have to get other people in to do it. There should be coding in every school. Every secondary school should have computing as a compulsory subject at GCSE but we do not have that and, as a result, when it came to the GCSE subjects last July 300,000 took a foreign language and only 60,000 took computing. I believe it is more important for students to understand a computer language than to pick up the smatterings of a foreign language. We are on the absolute threshold and dawn of a digital age and youngsters must have that ability.

To see how far we are from America, I say that the chief executive of Microsoft is an Indian, Satya Nadella, who decided to set up a team to develop artificial intelligence and build a new operating system. The team that he set up had 5,000 computer engineers. We simply could not do that in Britain; frankly, it could not even be done in Europe. There is a huge need for investment in computing and digital skills, which are all part of the later stages of apprenticeship.

I certainly welcome the creation of the Institute for Apprenticeships, which could become a powerful body. By the way, I am very impressed by the quality of the first eight directors and I congratulate the Government on that. They are an impressive bunch of people and I know a couple of them, who are independent people with great experience. I am thinking in particular of Toby Peyton-Jones, the HR director of Siemens. He is

[LORD BAKER OF DORKING]

a trustee of one of my educational charities and has great knowledge of apprenticeships and the needs of British industry.

The institute could become not just an administrative body, although it will have an administrative function. It will look at apprenticeships around the country. It will try to weed out the ones that are not very good or are weak. It will look at the range of technical qualifications, try to get some sense into it and eliminate those that are not necessary. That is the administrative job, but I think the institute should also have a policy job. It should have a policy overview of the whole system and report to this House and the other place once a year, on not just its administrative functions but on its reflections on the whole system and how effective it is. This means that the Government will have much less influence over the policy. The Government are not funding apprenticeships. Industry is funding apprenticeships, so the Government should keep their hands off a little bit and leave them to the experts in the area. I certainly welcome that role.

I have some comments on the age for apprenticeships. I would welcome a return to what the Labour Government had: apprenticeships for 14 year-olds. The coalition Government stopped them, and that was a mistake. In the university technical college movement, we have discovered that at 14 youngsters are quite able to realise where their talents and interests lie and what subjects they would like to study. There are lots of 13 and 14 year-olds at school who are very fed up with the range of subjects they are studying. They become very disengaged and would like the opportunity to become youthful apprentices. I believe in the future. This is not a decision for the Minister. If I were to move an amendment and the Minister were to say, "The Government do not approve", I hope he realises that it is not for the Government to approve. It is for the institute to decide this matter in future. If it decides on this, it should be done, and I would welcome that.

During the Industrial Revolution nearly all the great inventors started an apprenticeship at 14. James Watt started an apprenticeship at 14 as an instrument maker. Josiah Wedgwood was bound to his brother for five years as a master potter. He had very interesting conditions in his indenture, which I am not recommending should be put into apprenticeships for 14 year-olds. It said that:

"At Cards, Dice or any unlawful Games he shall not Play,
Taverns or Ale Houses he shall not haunt or frequent
Fornication he shall not commit—
Matrimony he shall not Contract".

Those articles produced a very great man, but if we tried it today we would not reach 3 million apprentices by the time of the next election. I certainly favour apprenticeships for 14 year-olds.

The real test of the apprenticeship movement is how many people become apprentices at 16 or 18. The record is not very good. Last year, the number of 16 year-olds went down. The House may know that in 2015 there were 500,000 apprenticeships, but only 5,000 were at 16 to 18 studying at level 3 or above. This is the point made by the noble Baroness about levels 4, 5 and 6. Level 4 is diploma level, level 5 is foundation degree level and level 6 is an honours degree. That is

where the skills gap is, not at level 2. It is essentially at levels 4, 5 and 6. Only around 5,000 of 500,000 apprentices were doing that at 18, which is 1.04%. I am very proud that university technical colleges provide a great deal of those apprentices. At 18, our youngsters are eligible to be higher apprentices because they have an academic subject, such as an A-level in maths, physics or life sciences, and a technical subject, such as a BTEC extended diploma. They are therefore highly employable. Many of them become higher apprentices. In the bigger companies, they earn salaries of £15,000 to £20,000 a year and they usually study for a foundation degree. The Royal Navy, which has adopted UTCs, is desperately short of technicians and engineers and cannot currently man aircraft carriers. It introduced 18 higher apprenticeship places last September, 130 people applied, and 16 of those places went to UTC candidates. It was offering a salary, by the way, of £28,500 for hired apprentices. These are the apprenticeships which are definitely worth having and which we must encourage. I believe quite a lot of apprenticeships go to older workers in their 20s and 30s, who are already employed. I do not believe those should be called apprentices, as it is really adult training and retraining. I am not against that—there should be a lot of it—but to give them the name of apprenticeships is completely wrong.

There is much to be done, although I support the Bill, as I say. I intend to move one amendment which will improve the Bill enormously, in my view, dealing with career advice. How are you to get knowledge of apprenticeships over to youngsters? You cannot expect the schools to tell them, because teachers leave their schools, go to teacher training colleges and then straight into teaching. They have no experience of government, industry and commerce, or of apprenticeships. I will move an amendment which will allow the providers of apprenticeships, along with the heads of university technical colleges, studio schools and FE colleges, to go into schools at 13, 16 and 18 to explain to the students what they can then study—the alternative offerings. Career advice in our country generally is quite appalling.

I am glad to say that the amendment has the support of the noble Lord, Lord Adonis, the noble Baroness, Lady Morris, and the noble Lord, Lord Storey, from the Liberal Democrats, as well as of several Conservative Members, so I expect it to pass. I hope the Minister is listening—I think some days he is very favourable to the idea, but I can assure him that it will pass and will improve the knowledge available to many young people in our schools. We simply have to improve technical education in our country, as we are not doing it very well at the moment. The whole education system concentrates on academic subjects, whereas jobs, based on employability, go to those who have technical skills. Apprenticeships are part of that, but not the only part.

4.32 pm

Baroness Morris of Yardley (Lab): My Lords, I draw attention to my entry in the register of interests. I chair the education advisory board for McDonald's, which oversees its apprenticeship programme. I too welcome the Bill and hope it is not just optimism that at last, we are going to do something about this: I hope this is the time for legislation that really moves

apprenticeships and technical education forward. Like my Front-Bench spokesperson, I will want to look at some of the detail of the Bill, but we wish it well and hope it changes the world for a huge section of our community.

I share a previous speaker's analysis of why the Bill is so badly needed, in terms of the productivity rate and how we have let down so many young people and adults who wanted to succeed. For all the strength of our education system, we have failed to get technical, vocational—I do not mind that word—and apprenticeship education right. It is the only area of our education system where we used to do better years ago than we do now. I do not buy into the idea that education used to be better 20 or 30 years ago, but this area probably was better 40 or 50 years ago. We need to rediscover the good things that happened then and shape them for the world in which we live.

The concern I would like to explore with the Minister today and in Committee is whether the Government are absolutely sure about how these proposals differ from previous attempts. It is not that Governments have done nothing for the last 20 years—they have put resources, leadership, energy and legislative time into trying to make things happen, but it has not been good enough. The success has not been there, such that we can say, "The job is done". Looking back at my role at the Department for Education and Skills, and at what we thought the sector skills councils would do when we launched them towards the end of my time as Secretary of State, I would just pick out these words from 2002 to 2006. The councils would be "employer-led industry or business sector-based". They would be "charged with identifying the sector's present and future skills needs, ensuring that qualifications and training meet these needs" and "place employers and workplace centre stage". There is not a world of difference between those words and the publicity for this Bill, which I have heard the Minister—believing it—say out loud.

I do not want us to get this wrong again, and it behoves us to be clear about what is different now. This is not the first time we have had an employer-led skills programme, tried to do apprenticeships, or let business work out the framework for technical and vocational qualifications; but previously, we did not do it well enough. I want to be sure that we learn from that during the Bill's passage. I hope the collective memory of the Department for Education is still strong and that it and the Minister have gone through what was successful and what did not work, because he does not need to start from scratch. He needs to build on what we have learned and our successes.

One thing that makes me optimistic is that there is a helpful national climate. As we all know, sometimes in politics, timing is everything. You introduce something at one point and it does not fly. You introduce it at another and it has wind behind its sails and makes a real difference. In the world at large, I think there is now a greater acceptance that technical and apprenticeship routes to employment, and life chances, are good and could be better. We have not got to the stage where everybody wants their children to do that rather than go to university, but there are now chinks in the argument—it is a good choice for young people.

I acknowledge the Government's support: they have put this issue high on their agenda. From what I hear from the Minister in the House today, his boss the Secretary of State, and others, they mean to get this issue right. It is not an also-ran in the Department for Education, and that is important. Established organisations such as the university technology colleges, founded by the noble Lord, Lord Baker, were not around when we tried this 10 years ago, and I hope they will enable us to get it right.

So I am optimistic, but we have to be rigorous in asking ourselves some difficult questions. This might be an opportunity to get this right. If the noble Baroness, Lady Woolf, thinks this is a better chance of getting it right than we have ever had before, then I feel optimistic, because her judgment and wisdom in this area have been second to none. I am glad that she feels that this could provide a good way forward.

I welcome the institute, but it is nothing more than bricks and mortar, and I want to better understand how it, the people who have been employed to do a job, and a mission letter from the Secretary of State will bring reality to our dreams, visions and hope for change. The Minister will know that if we have learned anything over the years, it is that setting up a building and a structure and naming something does not change anything. If there was a failure of the academies programme, it was believing that if you made a school an academy, it would change what happened there. The success was that over 10 or 15 years, we have learned that you have to do more than change the name and create a new structure or organisation.

In Committee, I want to explore the nitty-gritty of what the institute may be. These are not big-label items, but I always worry when we open new organisations and do not close old ones. If you read the White Paper, there are an awful lot of players on the field. I have this picture of a power struggle: who has the power, who has the influence? Even without that, there is the treading on each other's toes in an effort to do good. Who will be off the field? If we have a new body that is costing money and leading apprenticeships and technical education, who has lost responsibility? Who will not do what they were going to do before, and what is the nature of the relationship between them?

Assessment looks similarly messy. The fact that you can ask myriad people to assess your apprenticeship and technical education outcomes makes me nervous of the market approach that the noble Baroness, Lady Woolf, and the Sainsbury report criticised. Are we sure that that system, which seems to have more than one assessor, will be tight and robust and will play high, not low?

I am not sure what the technical education certificate is and what currency it will have. Who will get it and for what reason, and who will know what it means? That is something else I would like to look at in Committee. One point about which I feel strongly and which has not been raised before is the contradiction between courses that are flexible and courses that have clarity. Our probably most successful exam systems, such as A-levels and GCSEs, are really clear and incredibly inflexible. They are clear because we know what they stand for. People know what they have to

[BARONESS MORRIS OF YARDLEY]

do. They know what the certificate is. It has currency and people can say, "I've got an A-level; I've got a GCSE". Everybody knows what that means.

The minute flexibility is put into that, we lose some of the clarity. One of the problems over the years for those of us who have tried to make progress in this area is that we have tried to bring in flexibility but have lost the clarity. We have not built a common language for the wider community. When I read the Sainsbury report I thought that it had gone for clarity, and said, "Wow, at least it is settled: we are going for clarity". But according to the background commentary, there is potential to move between the two—the academic route and the technical route. That is going for flexibility, so I want to explore with the Minister in Committee exactly what the Government intend and whether they have managed to square the circle, which no one else has, and have flexibility and clarity at the same time.

My other question is very much for the Government as well. Do they intend to place a responsibility on the new institute to deliver apprenticeship targets in terms of numbers? At the end of the day, we always have to trade quality for quantity when setting ourselves a target. I cannot think of many examples where the Government have set a target and reached it without compromising quality. That tends not to happen. We know that targets determine behaviour and some of those behaviours threaten quality.

If the institute comes back to the Government and says, "Well, Minister, we have delivered exceptional quality but we have not reached your numerical target of 3 million", what will the response be? Putting my cards on the table, I would go for quality and would not complain about the quantity. I would not stand up and complain about not hitting the target, but I would be furious if the target had been achieved and quality had been compromised.

I shall finish by describing what is missing from the Bill. It is a strange little Bill—an oddity. It looks as though it has lost its best friends, and I feel really sorry for it in that sense. I am smiling, but in a way, that is the error we have always made with this sector of education. The Minister will know what a disaster stand-alone academies were. Stand-alone vocation courses and apprenticeships will be a disaster as well, unless we link them into schools and higher education. That is about progression and a route through.

The Government have missed a chance here. It would have been great to have this as part of the Higher Education and Research Bill—we could have seen the link through to degree-level apprenticeships and university. I know that the noble Lord, Lord Baker, will agree that it would have been great to seize the opportunity to end the national curriculum at age 14 in schools and open up a proper, coherent, cohesive, exceptionally well-funded, really high-status 14 to 19-year old education system in which a lot of the concerns I have raised would cease to exist. We have some bold ideas, but the worry is that we are making them fit into a structure where they are not at home. An approach for 14 to 19 year-olds has been made to fit for 16 to 19 year-olds and it does not, quite.

I wish the Bill well, and I hope it does what we want it to do. There will be interesting Committee and Report stages, and I do not doubt the Minister's determination and wish to handle things well. Importantly, there is no great political divide on this issue. In the light of our experience and commitment, I hope the Bill will leave this place in a better state.

4.44 pm

The Lord Bishop of Norwich: My Lords, I am glad to add my voice to the chorus of welcome for the Bill—on these Benches we are professionally interested in choruses.

Those who read the City & Guilds report *Sense & Instability*, which was published just over a couple of years ago, will remember the bleak picture painted there of three decades of skills and employment policy. The authors pointed out—with a degree of sardonic humour, I think—that, in 30 years, there have been 13 major Acts of Parliament dealing with these issues, enough reports to fill a medium-sized bookcase, no fewer than 61 Ministers and 10 occasions when skills and employment have shifted between government departments. "Tinkering", "amnesia" and "disruption" were among the milder terms employed in that very powerful report.

As the authors of that report saw, resolving our long-standing weakness in technical and vocational education would not only be fundamental to improving productivity and creating a more skilled workforce but ought to be a powerful driver of opportunity and social mobility. Of course, it should also be a liberation of the human spirit—the Latin root of "education" reminds us that it is all about being led out into life, as the noble Baroness has just reminded us—and the best education leads to human flourishing not simply in economic terms but socially, aesthetically, spiritually and all the rest. For those reasons, I strongly support the Bill's ambition to place technical professional education on the same footing as the more academic routes.

From these Benches, we welcome especially a number of the Bill's principal objectives, including: the structural importance of having clear responsibility for apprenticeships and technical education through the extensive role given to the institute; the radical simplification of the great maze of vocational qualifications currently offered; and a more rigorous process for the development of standards.

While the prominence given to insolvency in the Bill seems at first sight disturbing, given the hand-to-mouth precariousness of further education finance, at least this is the first time, as far as I can see, that an insolvency regime has given explicit priority to the safeguarding of the interests of the students themselves. So we warmly welcome the Bill, even if there are a few caveats.

Another caveat seems obvious: I could not see any explicit definition of "technical education" in the Bill or the accompanying literature. Some clarification here would surely be desirable and would have practical implications. For example, many schools and sixth-form colleges offer a combination of GCSE and A-level qualifications, identified in the *Post-16 Skills Plan* as one of the main academic routes, alongside subjects generally considered technical or general vocational

courses, such as BTEC national diplomas, City & Guilds programmes and the like. I am also glad to see a growing emphasis on higher and degree apprenticeships, to which the noble Lord, Lord Baker, referred.

The recently announced industrial strategy emphasises—one might even say that it presupposes—much greater collaboration across the sectors involved, between colleges and employers and between FE institutions and universities and so on. In my own diocese we have a first-rate example of this, in my view, in City College Norwich, which is not only the largest provider of education for 16 to 18 year-olds in Norfolk but also offers a wide range of apprenticeships and degree and other higher education programmes.

Each year at least 500 students come to Norwich Cathedral for City College graduation ceremonies. I have heard there a good many stories of young people who thought themselves failures at school, in their early years of secondary education, but gradually progressed through the range of opportunities offered at City College and ended up with not just first degrees but further degrees and highly skilled work.

Good collaboration with other institutions is absolutely essential to that sort of progress, as well as a breadth of understanding on the part of the institution about what further education may provide. Just last week, I was licensing a new chaplain to City College who is working with the “well-being team”. I did not know that it had a well-being team until recently, but the fact that the college has such a team suggests a healthy and holistic approach to education.

A famous aphorism claims that you can never be too rich or too thin. Perhaps this Bill adds a third criterion: you can never have too many regulatory bodies. As the Institute for Apprenticeships and Technical Education comes, or has come, into being—I am not sure of its acronym yet; IFATE does not seem all that cheerful—there is surely a need to avoid overlap between its remit and so many other bodies, such as Ofqual, not least in its role as regulator for English and maths qualifications, and Ofsted, with its responsibilities for FE and work-based learning. I cannot see quite yet how we will prevent the sort of unhealthy overlap that can result from so many regulatory bodies. But, overall, I sound a note of welcome for the Bill and I wish the Minister well as he guides us through the next stages.

4.50 pm

Lord Lucas (Con): My Lords, I welcome this Bill and declare my associations with City & Guilds and the *Good Careers Guide*, as recorded in the register. I will start by looking at the interface between what this Bill does and schools. As the right reverend Prelate has just said, on the supply side of technical education we have IFATE—which is actually an astrology website, so perhaps we need a different name for it—and in the interface between technical education and schools, we have the Careers & Enterprise Company, which is showing immense promise. But we are missing the bit inside schools. How do you manage the interface within a school, with all these multifarious opportunities and things that need to be understood and looked at, when you have, as the noble Baroness, Lady Morris, said, a very straightforward system of teaching children to some very well-defined exams?

The answer, as the Minister suggested to me on other occasions, is to have a dedicated person within each school whose responsibility it is to interface between everything going on in the school and the plethora of opportunities outside and to make sure that a lot of it gets in and is understood. Without that flow we will be in serious danger of having blocked pipework. All these opportunities we are creating outside are just not getting into schools—not being seen by the pupils who need them and not being understood by schools, or indeed by parents.

The answer, or at least an answer that we should look at, is to allow employers to devote some, say 5%, of their apprenticeship levy to unblocking this pipe—through, I would suggest, the Careers & Enterprise Company, because we want to know that it will be well managed—to allow employers to say, to some degree, “I want to work with this school and that school”, but allowing the Careers & Enterprise Company to divert some money to its cold spots. Then we could start to build a really active and close association between employers, schools and pupils.

This would influence the direction that pupils take in life in the sort of way that my noble friend Lord Baker was talking about. If there is a really active understanding and appreciation of what employers want, it would encourage pupils to move in that direction. Estonia is a good place to learn lessons from, and we could pick up on its idea of computer-based maths, too. To go in the direction of greater connectedness between schools, and to do it now because we are creating so much extra technical education, would be a useful thing that we could move forward on with the Bill.

I will also pick up on certification. It seems to some of the people who have been writing to me a bit odd that the Government should be taking on the role of certification of technical qualifications—but I think it is a great opportunity. We will suddenly have a consolidated list of former apprentices and holders of technical qualifications. There are all sorts of uses for that. We can push continuous professional development, and we can get a lot of feedback on the qualifications and apprenticeships that we are providing and feed that into the system for improvement. We will have a register of people who have been through these things, which will make it much easier for them to get employed and for us to understand where shortages are.

The other thing we should do in that instance is to give these people something to put after their name. We give university graduates BA, or something similar. What are we going to do for apprentices? They cannot call themselves “former apprentices”. We need something in which they can take pride and which enables them to say, “I am an apprentice and I passed”. It should not be just university graduates or, indeed, school leavers, who can put something after their name.

My next question on the Bill concerns how the 15 routes—I do not know what you call them; since this involves Sainsbury’s, they should probably be called “aisles”—work. How do we get from standards which are quite loose, with phrases such as, “must be good at IT”, to something which is well specified, absolutely clear and has a set of deliverables on which qualifications and assessment materials can be built?

[LORD LUCAS]

I do not understand who it is intended will do what job in that process. I shall be quite content for the Minister to give me some homework in this area; I just have not found what I need at the moment and would be grateful for his help. But I hope that we are not going into something which is too top-down. We have tried this before with technical qualifications. I liked the feel of diplomas but we just did not get it right—and nor did we with individual learning accounts. This needs to be a much more bottom-up process as well as the top-down organisation, and I hope that that is what we shall see.

Who in this structure is really doing quality assurance? Who is making sure that the process is running well, and how does that work? How do industries such as utilities interface with it? There is no utilities aisle; it is sort of scattered between three or four of them, but it is an area where we are looking at some very big employment opportunities as technology changes. How does it work for an industry such as that?

I have another question in this area: how do single awarding organisations work? This is a discussion we had concerning GCSEs a few years ago. We settled on keeping a multiplicity, and I think for very good reasons: you get flexibility; you avoid single points of failure; and it is much easier to spur on improvement and to change something that is not working well. Why are the Government going in a different direction in a much more complicated area, where it is very difficult, even within one aisle, for one awarding organisation to be expert at everything and to cover every variation within that aisle?

The Bill as drafted takes intellectual property away from awarding organisations and gives it to IFATE. That is a very unusual structure. Usually, if an organisation has put a lot of investment into creating assessment and qualification structures, that is the intellectual property of the organisation—and for good reasons, too, because that gives it an incentive to continue to develop and keep the quality up.

We are also looking at a lot of qualifications that will embed vendor qualifications, certainly in the tech area, because that is what employers want. Are we really saying that their IP will also be ceded to IFATE? We need to look at this corner carefully to make sure that we have the incentives and the practicalities right.

On insolvency, as the noble Baroness, Lady Wolf, has already said, we need to think about what happens with training providers and, indeed, awarding organisations when they go bust, as the Bill will put them under a lot of stress. We need to understand how they work, because they are just as capable of tipping learners into an abyss if they go under.

I look forward to the Bill's Committee stage—I think that it will be a great deal less stressful for the Minister than the Higher Education and Research Bill was for his colleague—and I wish it well.

4.59 pm

Lord Addington (LD): My Lords, this is one of those occasions when you stand up in your Lordships' House and think, "Everything I wanted to say has

been said". However, to some extent you can go into the political quality of repetition, and use the odd anecdote. The only anecdote I have on this is about having received some of my education in a college of higher education. Unfortunately, the right reverend Prelate has already named that college, so even that has been taken away from me. I am therefore left with a degree of repetition.

The Bill goes into an area where there is a great degree of agreement across the Benches in the House. We have all tried to enhance and support further and technical education in certain ways—that is probably a slightly better name than "vocational" education; that may be the only disagreement I have with the noble Baroness, Lady Morris, here—but we have all struggled. The noble Lord, Lord Baker, pointed out that an institution such as a school is staffed by graduates who went through a process. We all know that the process we go through is the norm and we instinctively go back to it, but we have to pull away from it. We must try to get across to the rest of the world that there are other ways forward. One of the things that is missing is any capacity in the Bill to improve careers guidance in this incredibly complicated sector.

The Minister was kind enough to give us a briefing before the Bill came to this House, and one thing that came out, almost as an aside, was that there are 13,000 different qualifications in this field. Somebody said, "Is it 30,000?" and got the answer, "No, it's only 13,000". When you are dealing in three sets of noughts at the end of something, you are asking a hell of a lot of somebody who must find their way through this. Unless you get information out which says that these courses are valid, and get people who are qualified to do it, you will always struggle. You will always be asking, "What does that mean? What does it do?", and then you will have to start referring back to GCSEs and A-levels to validate them. In the process of so doing, you devalue the qualification. That is just the way it is. When you say, "It's almost worth X of those", the subtext is, "Those are the norm". Unless we get to a position when somebody or a group of people is capable of explaining to the student and their parents that these are valid in their own right, you will always have this problem. No matter what else you do, it will always be the second choice.

Intellectually, throughout this House there is agreement that technical skills, particularly at level 4 and up, as the noble Lord, Lord Baker, said, is where there is a huge hole in the skills—and, indeed, the job—market. If you are worried about immigration from outside—let us take a little sideways look—and are not skilling people in a technical area, you will have to bring them in from somewhere or you will suffer economically as a result. The first thing we must do is make sure that people understand that there is a demand for this. If you do not, it does not matter what you do, because people just will not turn up or will turn up late. Apprenticeships should be for younger people—the historical analogies made by the noble Lord, Lord Baker, are true, but there again, we should not worry too much about that. To get on to our patch, I refer across to the rather futile arguments we have about what a proper Liberal or Conservative is. Let us face it: the historical analogies there lead you to some very

funny conclusions. We have to get out there and make sure that they understand what you are talking about. If we do not, we will be in trouble.

I will put a small technical detail down here, which will give me the chance to be the only person who repeats his interests in both the Higher Education and Research Bill and this one. I draw the House's attention to my interests in both special educational needs and technical support for people with them, which is provided by a company. Unless you provide expertise and support for those who have learning difficulties and special educational needs, and show how they will be helped through this gap, you have a group which should be more attracted to this area. Here, I am talking about people with dyslexia and those who might have a problem with writing. Unless you enhance that support, you will miss out another group who should be "naturals". Can we have an assurance that we will get specialist support and guidance through this system and any future system? Without it, we will simply institute something else, give it another label and allow it to be ignored. If it is ignored, it will not matter what else we do—it will not work.

5.05 pm

Baroness Stedman-Scott (Con): My Lords, I draw attention to my interests in the register. Like many people, I was really pleased to hear our Prime Minister state in her speech about global Britain on 17 January at Lancaster House that our new modern industrial strategy is being developed,

"to ensure every nation and area of the United Kingdom can make the most of the opportunities ahead ... we will go further to reform our schools to ensure every child has the knowledge and the skills they need to thrive in post-Brexit Britain".

I see the Bill as a building block to achieve this, which is why I am pleased to give it my support.

When I think about the Bill, I also think about some of the young people I have met over the years. The ones you remember are the real gems and those who have managed to achieve something. I remember being called to a police station to see a young lad we were trying to help. He had been getting himself into trouble with great regularity. I remember the policeman saying, "If we don't do something with him, he's going to have a career path that we don't want". I asked the lad, "What are you going to do with your life? What job are you going to do?". He replied, "All I ever wanted to do was crazy paving". When I asked why he was not doing that, he said, "Because people have said it's not serious enough". I went out and talked to builders, saying, "Come on, will you do this?". There was a builder who employed the lad and he never put a foot wrong again. Whether that was careers advice, I am not sure, but he understood what he wanted to do and, once he got the opportunity to do it, he thrived. I just hope we can find a way to remember him as the Bill goes through this House.

I am very grateful to numerous organisations for the briefings they have provided. I cannot refer to them all but will mention the Edge Foundation, the AELP and the Centre for Social Justice.

Much has been said and promised about improving the life chances of those who for too long have not been able to fulfil their potential and for whom social

mobility is something that people talk about but not something that they have experienced. I have tried to avoid repeating what others have said or pre-empting what some might say today, but I must reinforce the point that, as far as education is concerned, not everyone is suited to an academic route, and the emphasis in the Bill on the technical route is very welcome.

When I asked my father whether he thought I should go to university, his careers advice to me was, "No, Debbie. People in our family don't do that. Join the WRENs or the police force. You'll get a good pension and have a good time". I did not take that advice. I did not go to university either but, without being arrogant, I like to think that I have not done too badly.

One of the recommendations from the Independent Panel on Technical Education, established by the noble Lord, Lord Sainsbury, states that two education routes into employment should be provided to students at 16—the academic and the technical—with the potential for students to move between the two. The noble Baroness, Lady Morris, did not like that concept, but when you do something technical or practical, sometimes the light comes on and you suddenly realise that you can do something that you did not think you could. I agree that there should not be any hokey-cokey between the two, but we should keep our minds open on that. The report recommends that the technical route be improved so that it becomes as clearly delineated as the academic route. We need to do that and we need to help parents understand that. Parents think they are letting their children down if they do not go to university, when sometimes it is quite the opposite. I do not have children myself, so I had better not make judgments about parents in that way.

There is a concern that apprenticeship providers are seeing the majority of the apprenticeships on offer go to older people rather than to 16 to 18 year-olds. I am quite sure this is not the intention, but I would be grateful if my noble friend the Minister could tell the House what measures will be put in place to monitor this. I am a fully paid-up member of the idea that the earlier the intervention, the better. We need more apprenticeships for young people entering the labour market for the first time. Of course those who are already employed should benefit from apprenticeships and further training, but not to the detriment of our younger people.

I understand that, initially, 15 types of technical routes will be established. It is quite understandable that we have to start somewhere, but if young people are to take advantage of the apprenticeships on offer, they need both the technical and creative skills that employers are looking for. A purely academic curriculum at school, such as a narrow EBacc, will not provide this. A broader baccalaureate is required, featuring slots for both technical and creative subjects, to help young people develop these skills. Although the EBacc consultation is not specific to this Bill, it would be helpful to have some idea of where the Government stand on this and when they will publish their response the EBacc consultation.

At the end of the day, we must create the talent pipeline that new industries and technology demand. To do this we must offer all young people the opportunity

[BARONESS STEDMAN-SCOTT]

to study practical and technical subjects from an early age. Both the EBacc consultation and the ad hoc Select Committee on Social Mobility, of which I was a member, recommended that this should start at the age of 14. I am well aware that I am known as somebody who pushes my luck sometimes—well, I am going to push it again. I ask that we really think about starting this process for young people at the age of 14. It would enable them to develop the project management and problem-solving skills, the capacity for team work and the resilience that employers are crying out for. Will my noble friend the Minister give us his and the Government's thoughts on this?

The business case for the Bill is beyond question. We live in a great country, which, despite the challenges we face, can have a great future, not just for business but for its citizens—for all our young people. Our Prime Minister made her commitment to this quite clear in the speech I referred to earlier. According to the ONS, the UK productivity gap is approximately 17% with the G7, 12% with Germany and 39% with the USA. We need to work hard to close the gap. This will be done through a robust industrial strategy and business and government working together to innovate and deliver, but, most of all, by making sure that our human capital—I include everybody in that—can play their part in our success.

I leave the House with one more anecdote. I knew a young man who was a member of a dysfunctional, non-traditional, chaotic family—noble Lords get the picture; it was not good. We discovered that he had a great talent for art. He did his foundation course in a studio school and is now studying at—I am going to need help here—the *École des*—

Noble Lords: *École des Beaux-Arts*.

Baroness Stedman-Scott: Thank you; my French is not that good. His aspiration is to work in the Musée d'Orsay. That is the kind of excitement and aspiration we want for our young people. The Bill is a good start to that process and I hope it succeeds.

5.13 pm

Baroness Cohen of Pimlico (Lab): My Lords, I declare various interests as set out in the register. I am chancellor of BPP University, where we have a current enrolment of 2,000 students on degree apprenticeship courses and an expected substantial increase for September 2017. I am also a member of the Parkside Federation Academies Trust and a governor of the University Technical College in Cambridge, which has just voted to become a member of the Parkside Federation Academies Trust.

I welcome the thrust of the Bill. My clever eldest son ceased to engage with conventional education at about 16 because he really wanted to be a show jumper. He was returned to us, to the world of work and to a highly successful career as a management consultant via an apprenticeship in the German city of Münster to a company engaged in tiling. He loved it. It taught him to speak German properly as opposed to fluently and ungrammatically; it taught him everything he needed to know about how to run a small business.

In return, he taught the company, interestingly, how to work out on a computer how to lay tiles rather than running around with tapes and taking measurements. This was a boy who, had we had proper technical education in this country and had he had more sensible parents, would have been doing that. In the end he came back. He had to do the rest of his education here because the Germans refused to make him a finance director without any qualifications, and we refused to sympathise, so he had to come back and do a master's degree at Cambridge.

I have serious questions, however, about the way in which the new Institute for Apprenticeships will interact with existing providers and regulators. I shall deal first with degree-level apprenticeships because it is an easy place to start. BPP is one of no fewer than 94 university providers, and there is no clarity on whether the new Office for Students being set up under the Higher Education and Research Bill, or the QAA or the board of the new institute will regulate these degree-level apprenticeships. At the moment—at least at BPP and I am sure at other colleges—apprenticeship proposals go through our own academic processes, led by the academic council, we vet our employer partners carefully and then we go through a couple more bodies.

In that sense, it would not be a lot of trouble to go through yet another body but, as a matter of public policy, I am concerned that the new institute could be overwhelmed by the need to deal, *ab initio*, with 94 current university providers. Delay will be the likely result but, more seriously, it could result in the institute being unable to devote enough time to what it is there for—to devise new apprenticeships and to deal with one of the problems the Bill seeks to address, namely the regulation of poor and ill-thought-out apprenticeship programmes at the 16 to 18 year-old level. It might be well worth leaving the arrangements for approving degree-level apprenticeships where they are, if only for a few years, in order to enable the new institute to concentrate.

I understand that the new institute is to have a staff of 20, which does not sound enough to do all of this and, unless the DfE is going to hire armies of people, I suggest we might try to lighten the load. In winding up the debate, will the Minister elucidate on what the thinking is on the arrangements for approving degree level apprenticeships in the future, specifically on whether they will all have to go to the new institute, and what will happen to the range of existing bodies currently involved in the process?

If it is the settled intention that the new institute will be responsible for all degree-level apprenticeships, could the Minister also tell the House what the staffing numbers envisaged will be? I am sure he agrees that these apprenticeships are vitally important and popular with students and employers alike. They are an important way of increasing social mobility and it is important that their growth is not checked by adding another layer of bureaucracy if it can be avoided.

I shall speak now about technical education in general at secondary school, FE and specialist institutions, and about apprenticeships other than at degree level which are closely linked. I was saddened that the Prime Minister's speech on the importance of technical education contained no reference to the 41 university

technical colleges set up under the auspices of the Baker Dearing Trust. I am sure that many Members of this House will recall the debates that were part of this process. My friend, the noble Lord, Lord Baker, is in his place to hear all this today. I very much enjoyed his speech.

These schools are new and are meeting with mixed success in attracting pupils—and of course pupil numbers are key to finance and to being able to produce the best teaching. In Cambridge, the university technical college has just voted to become part of the Parkside Multi-Academy Trust which will enable it to spread its overheads and share some teaching. The college is already successful academically as well as getting its students on to good apprenticeships and wherever else they want to be, but the governors have accepted that being under the wing of a bigger group is helpful. However, our unique governance and ethos will be maintained within the structure. The multi-academy trust is extremely pleased to have the college because in a way we are setting our own transfer system so that we are now able to offer within the group a proper technical education for those of our children in other schools who would relish it. There is some difficulty, noted by me when collaring parents and saying, “I think that your kid is going to be better off in the technical college”, because that is not an altogether popular view, particularly with the 11 to 16 college that we have under our wing. It is a difficult situation.

Overall, the growth of university technical colleges is threatened not only by the fact that they are out on their own but by two other factors. There is a history of local authorities being unwilling to advertise university technical colleges for fear of losing students at the age of 14, particularly from the 11 to 16 colleges. I understand that, and I would be grateful if the Minister would confirm that from June this year local authorities will be required to inform parents of the possibility of student transfer. This will enable the university technical colleges to visit local authority schools and tell their students about these colleges.

There has also been a problem with the Department for Education not being willing to recognise that getting an apprenticeship is an outcome for the purpose of its progression statistics. This is deeply unhelpful to parents and students and depressing for governors and staff, who can see that the apprenticeships which many of our students are taking up with the new science-based groups in Cambridge is a very good outcome indeed. I have been told by the Minister, I think, that this practice will change, but I would be grateful if he could specify how and when the method of collecting statistics will be altered.

Finally, I would like to raise the issue of finance, without which of course this Bill might as well not be under discussion. I know that the Government are putting in money and that they have great hopes for the levy, which will require all employers with an annual payroll of £3 million or more to contribute. That might be thought to be the answer to my question, but I have concerns about this. Large employers must be tempted to conclude that the levy is going to replace their existing training budgets, so they will set out to do the best they can to ensure that they get value for their contribution—essentially outsourcing

training and the organisational load that goes with it. Trust me on this because I am a provider and I know that it is happening. In seeking bids to undertake their training, employers are also asking providers to compete and to specify how much of the administrative burden they will take over.

None of this is irrational or wrong, but I wonder whether enough government money from the levy or otherwise will be left over to enable small and medium-sized enterprises to develop valuable apprenticeships at any level. It is inevitable that providers are going to be less interested in taking over the administration and in tailor-making courses for the smaller numbers. Will the institute have funds to help it once the larger employers have done their best to spend the levy contribution? Surely I am not the only Peer in this House to hope that the Minister will deal with this vital point in his summing up.

5.23 pm

Lord Leigh of Hurley (Con): My Lords, I declare my interests in that I am a governor of the London Academy School in Edgware and that 30 years ago my uncle and family started the Leigh University Technical College with my noble friend Lord Baker in Dartford, Kent. I welcome the Bill, although no doubt others may wonder why it was not part of the Higher Education and Research Bill. However, I can now see why that would not have been appropriate. First, the higher education Bill has a huge amount in it and many Peers, some of whom have connections to institutions of higher learning, wanted to speak and contribute to it both at Second Reading and in Committee on university matters, which could have left this important issue somewhat lost. I can also see that the history of universities being formally covered by BIS could have led to different teams on this Department for Education Bill, but it is important to make time to focus on apprenticeships in their own right—I have a personal interest that I will explain in a moment—rather than being subsumed by other educational institutions. Universities have, of course, very powerful leaders and friends. It is important that those seeking to improve themselves through apprenticeships receive the full attention of your Lordships’ House and, of course, in the other place and beyond.

This Bill could not have come at a more opportune time. As a father of two teenagers, I can tell your Lordships that many teenagers are concerned about the quality of education they may receive in universities, in particular the face-to-face time with their lecturers and teachers. The background of Brexit and its myriad implications mean we are forced to re-examine and defend our political economy. This is an economy that is global in nature, of course—trading with the world is the only way forward for our country—but whatever degree of openness we accept and whatever settlement we reach on immigration, we can all agree that improving our domestic skills base is vital. As my noble friend Lord Baker described, we must make sure that graduates and school leavers have globally relevant skills that our exporting employers need and inward investors demand.

Furthermore, it is timely that the Bill offers opportunities for those already of working age for upskilling and retraining. I hope my noble friend the

[LORD LEIGH OF HURLEY]

Minister will tell us how much resource will be spent on adult education, which has been a poor relative. Populism has fed off the disappointments of those who feel left behind by globalisation. We must get across the message that apprenticeships and the broader offering from technical education are not just for young people, but for anyone who wants to gain new skills. Instead of the easy answers peddled by some of nationalism and protectionism, a better skills policy for the whole of working life will offer more people the chance to participate in the fruits of a global economy in which Britain plays a leading role. The apprenticeship levy will raise some £2.8 billion in 2019-20, meaning that the total investment in England will be £2.95 billion—twice the amount in 2010.

Apprenticeships provide real opportunities for long-term social mobility. I pay tribute to my right honourable friend the Minister, Rob Halfon, who sees it as a personal mission to promote social mobility at every opportunity. My noble friend Lady Stedman-Scott talked about family social mobility. My grandfather started at a bench, making furniture. He ended up chairing a public company employing 1,000 people. My late father went to Cambridge University. In the spirit of social fluidity, I went to a lesser institution, but it all started with an apprenticeship.

The apprenticeship programme has been a great success, as it is estimated that substantial financial returns can be generated for an individual completing a level 4 or greater apprenticeship—some £150,000 over a working life. Employers' feedback has been extremely positive and, of course, the taxpayer will benefit. Raising the standard of the UK workforce in this way addresses so many issues at once. The alleged productivity discrepancies within the UK, of which we hear a lot in this House, are reduced; any benefit dependency culture is discouraged; and enabling home-grown talent as opposed to depriving other countries of their trained people must all encourage us to ensure that we achieve a successful apprentice programme of a high quality through training, as recognised in the Richard review.

It is also vital that steps are taken to ensure that those who choose a technical route at the age of 16 are valued and appreciated for the contribution they will make to our society—often of equal or greater importance than those who chose the so-called academic route. I am very pleased that the Government are choosing an employer-led and designed set of standards, rather than the old framework. The Government's target of 3 million new apprenticeship starts by 2020 is ambitious and the costs that employers will have to bear to get there considerable. It is imperative that the appropriate level of quality thresholds and value for money is achieved.

Instinctively I am against creating any new quangos, as the new Institute for Apprenticeships and Technical Education surely is—it is called a Crown non-departmental government body—but I see the need for it as set out in the Bill. It must, though, stick tightly to its remit of driving up standards and holding participants to account, lest it becomes another unwieldy bureaucracy. Provided it remains rooted firmly in the business community and is led by the esteemed board members already announced, a healthy distance from central government would undoubtedly be a good

thing—I enjoyed the analogy with weights and measures made by the noble Baroness, Lady Wolf; that was very appropriate.

I am of course aware that the institute stems from the Enterprise Act 2016. Although I remember much discussion about protection of the word “apprentice”, I do not remember much discussion about the institute. In this Bill we see the detail and, in particular, the remit extended. Clearly there is a strong need for providers and employers to collaborate. I was surprised that the new board does not have any private training providers represented, but it does at least represent a strong mix of employers and academics.

As “board workers representation” seems to be part of the current lexicon, I wondered whether there would be student representation on the institute board. I have seen some regret about that in the specialist education press, but there are many other ways of ensuring that students' views and concerns are heard and I hope that an appropriate route is found.

In summary, that apprentices have confidence that their training is of an appropriate standard with meaningful qualifications is essential for their own self-esteem and ability to progress in the labour market. It is vital that employers believe they have value for money from the training for which they are ultimately paying a large proportion. I believe that the Bill goes a long way to achieve this.

5.31 pm

Lord Aberdare (CB): My Lords, I will confine my contribution to the part of the Bill dealing with the Institute for Apprenticeships and Technical Education. I have heard it called both IFATE and IATE, so I think I will just stick to “the institute”. As a member of the Parliament choir, I am pleased to join the chorus of welcome for the Bill and for the extended role granted to the institute.

The Bill takes forward the development and oversight of high-quality, employer-led apprenticeships, with funding from the new apprenticeship levy. It marks a significant move in the direction of establishing technical and professional education as a real alternative to academic education, with comparable validity—something that we have been aiming for and talking about for so long. It aims to make a significant contribution to meeting the UK's current and future skills needs in line with the Sainsbury review and the Government's *Post-16 Skills Plan*.

I hope that the Minister will forgive me if I focus on specific areas where I have questions or concerns, mostly relating to lack of clarity on some of the Bill's proposals and on how its aims will be delivered. Most of those concerns have already been raised by other noble Lords more eloquently than I could do, and with added anecdotes. My thoughts reflect helpful input I have received from organisations including City & Guilds, the Joint Council for Qualifications, the National Union of Students, Semta and the University and College Union, together of course with some of my own prejudices and predilections.

I am pleased that the membership of the institute's board has now been announced, although not yet its chairman. This gives rise to some governance-related

questions. Will the 15 technical education panels responsible for developing technical education standards also be employer led? The Bill describes them only as “a group of persons”, with no indication of how their membership should be made up. They surely need to include a good representation of the different interests involved, including a strong presence from employers.

What provision is there for the involvement of SME representatives as regards apprenticeship standards? I believe that more than 50% of apprentices are employed in small and medium-sized enterprises and I assume that the availability of jobs is similar. How will the institute relate to other bodies in the field such as Ofqual and how will it be held to account and its performance assessed? What can the Minister tell us about the involvement of apprentices and learners themselves in its governance? The Minister in the other place, Robert Halfon MP, said that an apprentice panel would be in place by April, and told MPs that he was confident that the institute would set up a similar panel for technical education students in due course. Why could such arrangements not be provided for in the Bill?

Several organisations and noble Lords have expressed concerns about the proposed single-supplier franchise model, whereby only one awarding organisation will be licensed for each of the 15 routes. This seems to run the risk of leading to entrenched monopoly incumbents in each area, unfettered by competitive pressures, and is an approach that has always previously been rejected, including in the general qualifications market, as the noble Lord, Lord Lucas, mentioned. What is the Government’s reason for preferring this approach to a more competitive, multi-supplier model, albeit with sufficiently rigorous entry requirements to assure quality and reliability?

Clarification is also needed on the requirement for copyright in all relevant course documents to be transferred to the institute, which could be particularly problematic for awarding organisations that compete outside England, in the devolved nations and/or internationally, based on their own intellectual property in qualification and assessment materials. There appears to be some confusion about the intention behind the power given by the Bill to the Secretary of State to issue technical education certificates, and how such certificates would complement and add value to rather than duplicate other recognised technical qualifications.

The most significant of my own hobby-horses, shared by several other noble Lords today, relates to the regrettable absence from the Bill of any reference to careers education. Both your Lordships’ Digital Skills Committee, on which I served, and more recently the Social Mobility Committee, highlighted the inadequacy of current provision in this field. I shall certainly watch with interest for the amendment of the noble Lord, Lord Baker, in this area, which I will expect to support.

Significant improvements are being made, with the development of the National Careers Service and especially through the work of the Careers & Enterprise Company, which is potentially the best thing to have happened in careers education for a long time. I was really encouraged by what I heard at a breakfast last week held in this House and hosted by the noble Lord,

Lord Young of Graffham. Are they getting all the support they need from government? When will the long-awaited careers education strategy, promised imminently by Robert Halfon, be published?

One of the mantras during my time in business was, “What gets measured gets managed”. Does the Bill not offer a good opportunity to ensure that schools are rigorously measured in this area—for example as the noble Lord, Lord Storey, suggested, by requiring that no school could achieve an “outstanding” or even “good” Ofsted rating without delivering good-quality careers education?

I look forward to hearing about other issues in relation to the Bill. Will it help to raise the level of not only STEM skills, as the noble Lord, Lord Baker, mentioned, but also digital skills? They are essential to our future competitiveness. What will be its impact on the important work of commercial training providers, many of which play a vital role in meeting otherwise unfulfilled needs? Having run a business in this field myself, I was somewhat taken aback by the Sainsbury review’s statement that,

“ideally, all publicly-subsidised technical education ... should be delivered under not-for-profit arrangements”.

Might the Minister make some comment on that?

In closing, I say that I strongly welcome the Bill and wish the Minister well in taking it forward in this House and pursuing its ambitious and important aim of helping to bring about a real and much-needed step change in the quality, perceived value and attractiveness not just of apprenticeships but of technical and professional education in general.

5.38 pm

Baroness Mone (Con): My Lords, I am most grateful to the Minister for setting out the Government’s ambitions for technical and further education. It gives me great pleasure to speak in support of this Bill. I declare my interests as a businesswoman and mentor, and the author of *Be the Boss*, a government review to help increase business start-ups in the most disadvantaged communities across Great Britain.

Over six months, I journeyed across the country from John O’Groats to Land’s End, meeting business leaders, start-up owners and aspiring entrepreneurs from areas of high unemployment. I gained a great deal of insight into the barriers they face in starting their businesses. Those often include not being able to find the skilled workers they need for those businesses. So many opportunities are opening up for British companies and, as we create the right circumstances to grow our economy, it has never been more important to make sure we nurture the talents, wherever they might lie, of our young people so that they can play a full part and share in our prosperity. Like me, a lot of young people do not have the opportunity to go to university but that does not mean that they do not have hopes and aspirations, and an excitement for what the future holds. We have a duty to give all young people every single opportunity to follow their dreams, so it will come as no surprise that I welcome the Prime Minister’s desire to give the same opportunities and respect to those who pursue technical routes as we do to university graduates.

[BARONESS MONE]

Placing the same value on technical and academic education has escaped us for far too long. It is not helped by the fact that employers know exactly what academic standards are but are bewildered when it comes to a confusion of technical qualifications. The Bill seeks to address that and is just one part of the Government's strategy to improve technical education, as they implement the recommendations from the Independent Panel on Technical Education chaired by the noble Lord, Lord Sainsbury. They say that good, skilled people make good businesses so I am really pleased that the Bill will make it easier to align skills training with the needs of employers, as the noble Lord recommended.

The Sri Lankan company which bought my business last year visited Toyota in Japan. Its target was to increase productivity in making a bra. It used to take four months to make a bra and it wanted to reduce this. Did your Lordships know that, when all the fabrics and components are looked at, there are 28 components in just one bra? The company invested heavily in training the team in lean manufacturing. The results were absolutely astonishing, cutting the lead time for making a bra from four months down to just 14 days. Similar examples will be found all across the country and it is our responsibility to ensure that the knowledge built up by employers is translated into the skills needed by our young people, reinforced by meaningful qualifications. There is no point in having a piece of paper if it does not get you a job.

I therefore speak in support of the measures in the Bill to extend the remit of the Institute for Apprenticeships to cover technical education, so that employers can take the lead in setting standards for both apprenticeships and college-based technical education. I hope that this will create a system which enables young people to finish their education with the skills and experience that employers need, so that they are able to gain worthwhile and fulfilling employment.

It is important to see the Bill in the wider context of the Government's industrial strategy and their commitment to tackle disparities in skill levels between regions. As I found in gathering evidence for my review, levels of self-employment are roughly half the national average in the 10% most deprived areas. We need to make sure that employers have meaningful involvement in developing a system of technical education that gives young people the skills, and entrepreneurs access to those skills, which each need to succeed. The reforms set out in the Bill are a matter of social justice and will ensure that all young people, no matter what their backgrounds or capabilities, are equipped with the tools to succeed in their professional lives.

5.45 pm

Lord Young of Norwood Green (Lab): My Lords, I declare my interests: I am an ex-apprentice, I had a brief ministerial career dealing with skills and apprenticeships and I am a school governor at my local primary school, which I will refer to later. I am indebted to the noble Baroness, Lady Mone, for educating me in the complexities of manufacturing a bra. Most of my knowledge has come from watching "Coronation

Street" and the antics in that factory, which I am sure bear very little or no relation to reality. It is amazing what you can learn in a House of Lords debate.

Noble Lords have said that they are disappointed by the attendance at this debate. I put it down to quality versus quantity in relation to the debate on the Higher Education and Research Bill. There is no doubt that this Bill is as important. My noble friend Lady Morris said that it is a pity that we do not have a holistic view of education that embraces higher and further education. Even the titles make you wonder. If that is higher, somehow this must be lower. It is not, and we know that. I slightly disagree with my noble friend's worry about flexibility. We have always had flexibility. She referred to an organisation that I always praise for its attitude to apprenticeships: McDonald's. You can start at McDonald's flipping burgers and you can progress to a foundation degree. Somewhere along the route, there is quite a bit of flexibility.

The history of apprenticeships has been fraught. As I have said on many occasions, when the Labour Government took over in 1997, if apprenticeships had been a National Health Service patient, they would have been in intensive care. They were in intensive care. There were only 65,000 apprentices, and we had a completion rate of 27%. You could not get worse performance than that. I would love to say that by the time we finished there were 10 million apprentices, but we did not manage to drive the number up to anything like that. We raised it to about 290,000, but we got the completion rate up to about 75%. That was good progress, but there is a lot more work to do. We made some mistakes. Kind words have been said about the noble Baroness, Lady Wolf. She said some very unkind words about some of the things that we did. With hindsight, those unkind words were probably merited because we put £1 billion into Train to Gain for people to gain qualifications and they got them, but a lot of them were not worth the paper they were printed on. The advice that the noble Lord, Lord Aberdare, gave the Minister—that if something is not measured, it is not going to be managed—is a good dictum to follow, and I shall return to it.

My slightly different theme is about how to measure success in relation to the Bill. As my noble friend said, what goes around, comes around. On employers setting standards, she reminded us that sector skills councils were set up just for that. Some were good, and some were bad. If you change the name of the organisation without looking at what it is doing, there is a danger that it could be too narrow or too wide. It is going to be quite tricky to get that balance right.

Like other noble Lords, I welcome the Bill. We could not have a more important issue to debate. We know that getting productivity up requires us to improve technical education. *Post-16 Skills Plan* is an interesting report. I welcome the Government's commitment to embracing the Sainsbury report, which states:

"We appointed an expert panel chaired by Lord Sainsbury to advise us on reforms to the system and we are delighted with their recommendations, set out in a report published today. We accept these recommendations, unequivocally where that is possible within existing budgets, and will carefully assess the case for those recommendations with wider financial implications".

Straightaway, we know there are going to be financial constraints, as there are bound to be. I shall make a point that may be a bit controversial but which needs

to be said. I probably should have made it in the debate on Higher Education and Research Bill. What are we doing with the vast amounts of money we are investing in higher education? They are truly vast—look at the student loan debt—but do we really think we are getting value for money? Do we really think we are doing what the noble Baroness, Lady Wolf, told us we need to do, which is guarantee a quality outcome when young people invest up to £50,000? I honestly do not think you can put your hand on your heart and say that the answer is yes.

We do not need all this. I do not know where we got the figure from, but we made a mistake in the former Labour Government when we said that we were going to send 50% of young people to university. I thought it was a noble aspiration for social mobility but I did not think about that that nasty little law, the law of unintended consequences. When I do the Lords outreach programme and speak to 16 and 17 year-olds, I ask where they are going, and up go the hands, “We’re all going to uni”. They do not seem to be worried about the debt, as I suppose at that age you would not be. I say to them that although it is not my job to dissuade them from going to university, they should choose the course that they go on and the university they go to carefully. When you ask them what the alternative career options are, if you are lucky, you will get one or two who mention apprenticeships. All the points that were made earlier about career guidance are absolutely essential, and the noble Lord, Lord Baker, is right in his intended amendment. This is enshrined in law at the moment, but it is a law observed more in the omission than the commission in schools, even if, as the noble Lord, Lord Lucas, said, you appoint an expert. Their incentive is to push students down the university route, unless you have a system like the one my noble friend Lady Cohen mentioned.

The noble Lord, Lord Storey, was right that when Ofsted inspects, schools should not get good or outstanding ratings unless they can demonstrate that they really have genuinely objective career guidance that shows all the possible career alternatives and options. Every secondary school ought to have business links and ought to ensure that young apprentices go into that school, because there is nothing like peer group recommendation for showing young people you do not have to go down one particular route. As I try to say to them, it is not an either/or choice: you can earn while you learn, and still progress to a degree. Getting that message over is vital, and I do not much care how it is done. I will support the amendment of the noble Lord, Lord Baker—who has now resumed his seat—because it is much needed, but on its own I do not think it will be enough, for the reasons I have outlined and which will be found in *Hansard*.

I do not want to come down either way on another point the noble Lord raised, about those aged 14. I think we called them pre-apprenticeships, and they played a valuable role because they gave young people work experience but, more interestingly, gave the employer or potential employer a look at the young people. That was quite an interesting experience.

There are many big challenges in the Bill, and a serious one is how the apprenticeship levy will work. You dread the reports of the Institute for Fiscal Studies,

as you cannot dismiss them, but it is right to signal some concerns. There are concerns from employers. I went to one large employer, which I will not name, which said to me, “Well, the first year will be all right, and I will recruit 100 or whatever it is on the three-year apprenticeship. But the next year I have got to do it again—it does not take into account that I have to maintain them for three years”. The temptation next year is to have batch of one-year apprenticeships. I do not think that is what the Government want, but it is another possible example of the law of unintended consequences. I just make a plea to the Minister—no doubt we will explore this in Committee—to think carefully about the application of the apprenticeship levy.

That brings me to the question of how success will be judged. The *Times* recently published a supplement, “Guide to Elite Apprenticeships”. I do not particularly like the word “elite”, but it was a guide to higher and degree-type apprenticeships. What was interesting was that the numbers were pretty small. The highest number I found in it was PwC accounting, which was taking on 295. A vocational route into that kind of job is a change in culture, which is good news, but we know the challenges—I think it was the noble Lord, Lord Aberdare, who said only 15% of SMEs have apprenticeships. What puts them off? When you speak to them, two things they mention are administration and cost. They undervalue the positive things that an apprenticeship can bring to their organisation, especially if they have not had experience of it. I stress to the Minister that he needs to take a long, hard look at this. When you measure this over a period of time, if you have not got that figure up and moved the needle on the dial from 15% to at least 40%, we are not getting anywhere. We have not changed that culture, that climate, within the country to one where most companies think that, to succeed, they need to sow the seeds of future success through employing apprentices. I hope the Minister will address that aspect.

Then, there are standards. That was such a powerful message from the noble Baroness, Lady Wolf, who made the interesting point that we are increasingly asking young people to borrow money to undertake this further part of their education. I am not sure that is the right path, but it is the path we are on. I am interested that we have returned to having a vocational entry point into nursing—not before time. But we have a desperate shortage of nurses, and what do we do? We say to them that they will now have to pay for it. I cannot quite work out how that is going to help the situation, but maybe I will be proved wrong.

Looking at the time, I have probably gone on far too long, for which I apologise, but I too want to end by saying that, like my noble friend Lord Watson on the Opposition Front Bench, I endorse the aims of the Bill and look forward to the challenges we will face in Committee in ensuring that the process of refining and honing in the House of Lords makes this the Bill it deserves to be.

5.57 pm

Baroness Pidding (Con): My Lords, we are going through an age that will be remembered in years to come as one of great upheaval and change in the

[BARONESS PIDDING]

global economy. We face a multitude of challenges in our changing world. Rapidly growing countries such as China and India have more bright students than we have students. So that we do not get left behind, and can continue to be a world economic leader, we need to respond to this change.

Reform in our systems is vital, particularly in training up our young people before they enter the workforce. Like all noble Lords who have already spoken this afternoon, I am passionate about apprenticeships and our young people. If done properly, apprenticeships are of huge value, not just to those doing them but also to the companies taking on those young people. Unfortunately, people sometimes look at apprenticeships as somehow less valid than university education or other training. Yet these same people look across the channel to Germany with its history of on-the-job learning and see it as an equally valid pathway. I want our system to be held in as high regard.

I am supportive of the Bill and am encouraged by the consensus across the Chamber today. The Bill aims to reform the system, so that young people can see clearly that their work will lead somewhere and to something. I am delighted that the Government will be setting up the Institute for Apprenticeships and Technical Education, a body led by an independent chair and board. This will rely on the knowledge and experience of those working in the private sector to set out the right knowledge, skills and behaviours needed by our apprentices.

Our economy needs to respond to the challenges that lie ahead for us, and the Bill encourages employers to feed into that system. If we want to create worthwhile increases in growth and productivity, we need to ensure that the private sector is involved. As a country, we need more highly skilled people. Given the challenges and opportunities that lie ahead after our vote to leave the EU, we need to ensure that young people, who will be the drivers of our economy, are given the best opportunities to succeed in the workplace. Simply, their success is our country's success.

The Bill is vital as it seeks to address our productivity gap through the institute's inclusion of business leaders and employers, who know what skills they are looking for and will develop apprenticeships with those in mind. It is built around a clear framework of skilled occupations. With such a complicated system on offer at the moment, reform is critical. It will show young people that apprenticeships are an equally worthwhile option that will lead to long-term employment.

However, if we want to create a ladder of opportunity, rather than a missed opportunity, we need better career advice provision in schools on apprenticeships. As I have made clear, my interest is that apprenticeships are seen as the valid option that they are. Like so many other noble Lords, I urge the Government to look at how to promote that option in schools. This is particularly pertinent given the challenges that I have discussed, and I am very interested in the amendment that my noble friend Lord Baker of Dorking has suggested.

Overall, this is a well-thought-through Bill that builds on the Wolf review, which criticised the bewildering array of qualifications. It also implements all the

recommendations of the Sainsbury report. The Bill will provide specific roads into employment and clarify the current system, making it easier for the Government to police quality. This will ensure that young people are taking up worthwhile qualifications that will benefit them and our economy in the long term. I believe that this will make the apprenticeship pathway more desirable for young people.

This is legislation for the long term. We are the builders and, with this reform, we will be the architects of our tomorrow.

6.02 pm

The Earl of Listowel (CB): My Lords, it is a particular privilege to follow the speeches of the noble Baronesses, Lady Stedman-Scott and Lady Mone. They eloquently communicated the benefit of the Bill for our young people. It will enable them to follow their passions and make a better life than many of them experienced in their family, or than their parents did, and possibly to offer a better life to their children. I was particularly grateful to the noble Baroness, Lady Stedman-Scott, for giving some illustrations, which sparked off in my mind a recent meeting I had with a young care leaver in her early 20s, who was on an apprenticeship with Accenture in the City. I was introduced to her by Drive Forward, a wonderful charity working with care leavers entering the professions. She was diminutive—perhaps five feet tall—and from an ethnic minority. I am not sure that her first language was English. She was facing all adversity in pursuing this opportunity. She was virtually homeless, and I had an email asking, “Can you help? She is just about to become homeless”. Fortunately, she found herself new accommodation. She also has quite a serious disability, but she is going for it; she has her ambitions and she is pursuing them.

I also welcome what the noble Lord, Lord Baker, said about maths. I attended the All-Party Parliamentary Group meeting on teaching supply last year. It was a meeting of maths teachers, and I was very distressed to hear their concern about the lack of maths teachers in our schools. It took me back to my childhood—I was a science nerd and I spent much time with my chemistry set. On a spring holiday in Cornwall, I would be pining for the latest “Horizon” documentary playing back at the house but, unfortunately, my maths was simply not good enough to take my science forward. I wholly share the noble Lord's concern that we will not get the STEM graduates that we need if we do not address the issue of maths, so I am glad to hear that the Minister is pursuing this vigorously.

I welcome the Bill, as others have, and say how grateful I am to the Minister for the briefing his officials have provided and for the joint briefing between him and the Skills Minister, Mr Halfon. I am very glad to see that the Skills Minister has been present for this debate and listened to your Lordships' contributions.

We have underperformed in vocational education to the detriment of our productivity, and to our shame, when we compare ourselves to nations such as Germany, as many noble Lords have said. Yesterday's Third Reading of the HS2 Bill—HS2, the largest infrastructure project that this nation has undertaken—reminds us why this Bill is so important to the nation. A positive

aspect of Brexit—I must say that I deplore our turning away from our continental neighbours and our increased dependence on the United States—is that British businesses may be compelled to pay more attention to the training and development of young nationals of this country. I know that many businesses already do that, but there has not been sufficient incentive for them. The institute can play an important role in capitalising on this opportunity for our young people. I regret the absence of Lord Dearing and Baroness Sharp of Guildford, who had such passion and expertise in this area, but I know that they will be present with us today in spirit.

I should like to explore two related concepts in the context of the new institute: continuity and expertise in effective execution of policy, following the points made by the noble Lord, Lord Baker, about making it an independent institution which may occasionally take a strongly independent policy view. Further, I will ask about progress in assisting care leavers into apprenticeships. Finally, I will ask whether the board can have the support of an expert on adolescents. I declare my interest as a trustee of the Brent Centre for Young People, a mental health service for adolescents in north London.

There has been concern about the execution of policy on apprenticeships. All have recognised the importance of apprenticeships. Delivery has been disappointing. What makes for good policy and good execution of policy? Continuity and expertise, I suggest. In this House, we see the example of the Minister himself, if I may say so, in the schools sphere. In the other place, there is the Minister of State for Children, Edward Timpson MP. These are Ministers who have stayed in post over several years and developed experience, expertise and relationships. In the flux of politics, these individuals have been able to pursue their briefs, which they feel passionate about, building expertise and influential relationships over many years.

If we look at Germany, we see the benefits of continuity and expertise for successful policy. By a quirk of political culture, the German Liberal Party, the FPD, held the post of Chancellor of the Exchequer for 20 years, and the Foreign Ministry, under Hans-Dietrich Genscher, for a similar period. It is arguable that this continuity assisted in its economic success and his success in negotiating the tightrope between NATO and the East.

Continuity of role, and the expertise and influence that comes with it, is hard to achieve in British politics. That is why strong, arm's-length institutions can be so important for effective policy and implementation—a point that I think the noble Lord, Lord Baker, was trying to make. In the criminal justice system, we have the outstanding example of the Youth Justice Board, exemplary in so many ways although, of course, with its imperfections. The Youth Justice Board's high point was at its point of greatest freedom from political interference. I took particular interest in the board when it was threatened by the bonfire of the quangos at the beginning of the decade. At that time I visited Rochester Young Offender Institution, Medway Secure Training Centre, Feltham Young Offender Institution and Wetherby Young Offender Institution in Yorkshire. I was one of the followers of my noble

friend Lord Ramsbotham in his successful campaign to protect the YJB. It is a great pity that so much of the YJB's attention had to be put into defending itself from politicians. I hope the same fate does not befall the Institute for Apprenticeships. I am very glad to see, at this point at least, that there is all-party support for it.

In 2009, the chair and chief executive of the Youth Justice Board took two strategic decisions. First, the number of children in custody should be reduced. Secondly, this should be achieved by building relationships with all the relevant interest groups, while maintaining a respectful relationship with government. Such a reduction in numbers was not on the Government's agenda at the time. In a few short years, in collaboration with government and interested parties, the number of children in custody was reduced from above 3,000 to about 1,000 and has remained at that reduced level for the last five years.

I met the then chair, Frances Done, on a number of occasions and we became acquainted. She was remarkable, especially in her ability to build bridges between opposing groups. She and her chief executive, John Drew, worked harmoniously and effectively together. Her board carried a range of disciplines and facilitated the necessary relationships with the police, magistracy, charities and others. I very much hope that the board of the Institute for Apprenticeships might take a similar approach to this.

The YJB's independence, associated with its expertise and continuity of existence and experience over time, allowed it to challenge the Government in a constructive way. The result was the improved welfare of children and very significant savings to the taxpayer, with 2,000 fewer children incarcerated in very expensive settings each year. I hope the Institute for Apprenticeships may emulate that model, and I strongly support the call of the noble Lord, Lord Baker, for the institute to—occasionally, on the most important matters—have a policy role, and perhaps sometimes challenge government.

I have spoken for too long so I shall move to my conclusion. I welcome the Bill warmly, especially its establishment of the renewed institute. I wish it a speedy journey to the statute book, and I am grateful to the Government for introducing it. It will be so important to many of our young people, perhaps particularly to the most disadvantaged. I hope the resources will be allocated to make the institute a great success.

6.13 pm

The Earl of Liverpool (Con): My Lords, it is a great pleasure to follow the noble Earl, Lord Listowel. In his 19 years in the House, this is the first chance I have had to sit in the same debate. He always champions the causes of the young and I commend him for it. As the 18th speaker on the list, and the last before the Front-Bench speakers, I think it falls to me to do the scoring. My noble friend will be delighted to know that I have it down so far as 17 for, and none against, and it will soon be 18 for, and none against.

I should like to join other noble Lords in thanking my noble friend the Minister for outlining so clearly what this Bill sets out to achieve. I wholeheartedly support it and, when enacted, I believe it will give the

[THE EARL OF LIVERPOOL]

youth of this country real cause for optimism as they approach the need to consider what profession or career path they wish to follow. This is a very big decision for 16 to 18 year-olds, and like many other noble Lords who have spoken, I have felt for some time that advice and support in this field were sadly lacking.

Some two years ago, when I was a Member of EU Sub-Committee B under the able chairmanship of my noble friend Lady O’Cathain, we set about preparing a report to the House entitled *Youth Unemployment in the EU: A Scarred Generation?*, which was printed in April 2014. One section related to careers advice, or perhaps I should say, the lack of it; we heard from a number of contributors that there were shortcomings in this area. Indeed, Ofsted said that the young people it had surveyed in schools had a very narrow perspective of the opportunities available to them, and went on to say that,

“this lack of knowledge about possible careers was a reflection of the poor careers advice available to young people in schools”.

A number of noble Lords have already commented on this.

I believe this Bill, with the setting up of the Institute for Apprenticeships and Technical Education, and its interaction with schools and colleges, will go a long way to rectifying this problem. I was delighted to read what my honourable friend the Minister in another place said on Report:

“We are spending £90 million, which includes the work of the Careers & Enterprise Company. A separate £77 million is being spent on National Careers Service Guidance just this year. I am going further. I am looking at a careers strategy from the beginning to ensure that we address our skills needs, and to look at how we can help the most disadvantaged”.—[*Official Report*, Commons, 9/1/17; col. 86.]

This is all very encouraging and it seems that that part of our report struck a chord somewhere.

We also heard from a number of employers who told us that they frequently found the soft skills lacking in young people applying for jobs. One international company told us that it had to establish an in-house course where these skills were taught to otherwise qualified applicants. They are such an important part of the overall set of skills young people need as they start to look for jobs and attend interviews, and I believe they should be included as part of the education curriculum. I hope the institute will take note of this need. I should be most grateful if my noble friend could say whether that might be possible.

As we know, the Government plan to create 3 million apprenticeships or technical courses by the end of this Parliament and I applaud them for setting this ambitious target. I am delighted that some flexibility will be built into the scheme allowing students a chance to change their course model mid-term should they or their mentors feel the need to do so. It can be very difficult for the youth of today to decide where to direct their energies and they will not always make the right choice first time.

Over the years, I have become very enthusiastic about the beneficial and constructive role apprenticeships can play in the pathway to employment and I should

like to share with your Lordships two different approaches that I know about. The first is the model adopted by the London School of Architecture which was set up some three years ago by Will Hunter. He recognised that it was a challenge for students to pay tuition fees, so he established a support network composed of 50 leading London-based architects and they provide every student with a paid 12-month apprenticeship which more than offsets the fees. He had 30 students in year one, and a second cohort of 30 was added in year two. A further 40 are planned for 2017. So far all his students have benefited in this way and every student has passed. He believes that this is the first cost-neutral course in the UK and, I must say, this appealed to me, as I am sure it does to his graduates. I am very grateful to my noble friend for sparing the time last week to allow me to mention the LSA to him, and particularly that it may be possible to arrange a meeting between his officials and the founder, which I hope will be mutually beneficial.

I do not want to test the patience of your Lordships too long, but I would like to mention a second organisation I know about, as a result of a lifelong friendship with the co-founder, David Lloyd, and his family. It is called the Intern Group, and was established in 2011. It specialises in finding bespoke internships both in this country and overseas, and it now has offices and specialist representatives in nine international locations. Part of the Intern Group’s mission statement is that it will find successful applicants a suitable internship in the location of their choice, among those nine locations abroad, and—here is the interesting part—it also undertakes to provide a comprehensive service, which includes accommodation, individual mentoring, group activities and social support. The group has appeared in both *Forbes Magazine* and *Time* magazine, and more than 1,500 interns have so far benefited from its courses. I know that this is perhaps straying a little off the pathway of the Bill, but this is a company on the move and I thought that it might be of interest to the institute to know that this entrepreneurial company exists. Some cross-fertilisation of ideas might be worth considering.

Returning to the Bill, I have some concerns about the willingness of SMEs to offer apprenticeships, as several noble Lords have also mentioned. This will be important going forward, because SMEs provide employment for some 14.4 million people—that equates to about 60% of the entire private sector workforce—and it is a route into employment that many apprentices may wish to emulate. It has been suggested that SMEs might be reluctant to enrol on the apprenticeship programme for a number of reasons, whether that be a lack of dedicated personnel to mentor the apprentice or a reluctance to add to red tape and get involved in excessive form-filling, reporting and so on. I was pleased to have the opportunity to raise that point with my honourable friend the Minister, Robert Halfon, at a briefing session earlier this week. He reassured me that, as far as paperwork and red tape are concerned, the institute will provide specific back-up and financial support to minimise this. Nevertheless, there may still be some residual reluctance, and I should be grateful if my noble friend the Minister could give any further reassurance on this point.

There may be bumps along the way, but I am very encouraged that this Bill has broad cross-party support, and I look forward to the later stages and its speedy passage on to the statute book.

6.22 pm

Baroness Garden of Frognal (LD): My Lords, I pay tribute to all those who have spoken in this informed debate, and thank the Minister and the Bill team for their helpful briefings. I regret that those of us involved in the Higher Education and Research Bill were unable to take part in the meeting with the Skills Minister earlier on.

We have missed today the voice of Baroness Wall of New Barnet, who was such a great champion of further education. In addition, like the noble Earl, Lord Listowel, I miss my noble friend Lady Sharp of Guildford, who took very well-earned retirement but, sadly, ahead of two Bills on which she had enormous expertise, which has left me in the hot spot where she would otherwise have been.

As we have heard, there is general welcome for this Bill—odd little friendless Bill though it may be, as the noble Baroness, Lady Morris, said—but I agree with the noble Baroness, and indeed with the noble Lord, Lord Young, that it could have been helpful if this Bill had been combined with the Higher Education and Research Bill, although I am not sure we would have much enjoyed a Bill of 160 clauses.

On the term “technical”, as my noble friends Lord Storey and Lord Addington have said, I understand that the long-standing term “vocational” for non-academic, work-based training and qualifications may have become debased over the years, but could the Minister give reassurance that the use of “technical” does not ignore craft, creative and service skills, which are key to many of the vibrant parts of our economy, such as fashion, hair and beauty, hospitality and media? Craft, creative and service skills are not automatically seen as part of “technical”, although of course they do feature in the 15 designated technical education routes.

We regret that there is so much focus in the Bill on insolvency. We are not aware that many FE providers have gone bust, so why start the Bill first and foremost with the presumption that insolvency measures will need to be put in place? That does not really set the scene for a vibrant and vital sector. We understand that it has already changed the behaviour of banks and pension regulators towards colleges—unintended consequences, perhaps—so could the Government not have started the Bill on a more positive note? Where colleges do struggle, it is often due to short-term changes in government plans and funding, as the noble Lord, Lord Watson, set out. The right reverend Prelate quoted from the City and Guilds report, which mentions, among other things, the fact that there have been 61 Ministers. This constant churn is not healthy for the sector.

I would add my support for the point made in many speeches—those of the noble Lords, Lord Baker and Lord Lucas, my noble friend Lord Addington, the noble Baroness, Lady Pidding, and the noble Earl, Lord Liverpool, and many others—on why the institute does not have a duty to promote apprenticeships and

work-based skills as worthy career paths. As we have heard, apprenticeships rarely feature as a possible route in what passes for careers advice and guidance in schools. This lack of awareness among school leavers does not bode well for the government target of 3 million apprentices.

Many apprenticeships will continue to be adult apprenticeships. I note that the noble Lord, Lord Baker, feels that those should not be called apprenticeships, but the noble Lord, Lord Leigh, stressed the importance of adult education. The Careers & Enterprise Company should surely have an active role to play in this, but we need somehow to reach parents as well and impress upon them the value of work-based routes.

The Bill proposes to consolidate the vocational awarding market and to remove “overlapping and low-value qualifications”. I would challenge the idea that any qualification is intrinsically “low-value”; even if it is low-skill, it could prove the stepping-stone for underconfident, underqualified learners to gain the confidence to love learning.

We heard from the noble Baroness, Lady Stedman-Scott, on the work that she does and how much she has done to give young people confidence in learning—and, by the way, I do not think that she has done too badly either. We also heard from the noble Baroness, Lady Mone, on the valuable work she does in this area, and she also gave interesting insights into underwear that we have not often heard in this Chamber. We also heard from the noble Earl, Lord Listowel, who works constantly to support opportunities for care leavers in particular and for other less-advantaged people.

On the single award, what evidence is there that the current awarding arrangement has led to distortions in the vocational market? There is a certain inconsistency here in government policy, which is going all out for more competition in universities—that caused considerable concern in the House during our consideration of the HE Bill—but moving to a monopolistic model for vocational awarding. The current mixed market model may not be perfect, but it supports and encourages investment and innovation and safeguards learner interests in the event of any awarding organisation failing.

The noble Baroness, Lady Morris, spoke of previous initiatives and the importance of robust assessment, and the noble Baroness, Lady Wolf, spoke of the multiplicity of awarding bodies, which increased greatly with the introduction of national vocational qualifications in the 1980s. At that time, I was working for City and Guilds—I should perhaps declare an interest, as City and Guilds now pays me a pension—which had more than a century of reputation and expertise in awarding. There was some concern then that some of the new kids on the block were offering much lower fees but with much lower quality assurance.

When a single model was proposed for GCSE and English baccalaureate subjects, as the noble Lords, Lord Aberdare and Lord Lucas, pointed out, it was abandoned following robust evidence from the Education Select Committee and Ofqual. Why should vocational qualifications be treated differently? If a single-supplier franchising approach was deemed too high risk for the general qualifications market, why should it be deemed suitable for vocational qualifications?

[BARONESS GARDEN OF FROGNAL]

In Schedule 1, as has been mentioned, the Bill makes provision for the transfer of copyright for any “relevant course document” to the new institute. It is unclear whether awarding bodies would retain any copyright in key documents relating to a qualification once ownership transfers to the institute. As the noble Lord, Lord Aberdare, pointed out, these provisions could have significant implications for awarding body business outside of England, including export activity overseas. In other studies, there has been no attempt by government to own the copyright for qualifications. The institute could justifiably lay claim to copyright of national standards, but the qualification and assessment material design should surely remain with the awarding organisations.

Also in Schedule 1, as the noble Lord, Lord Lucas, pointed out, there is provision for the issuing of technical education certificates by the institute. Could the Minister explain how the institute will set about authenticating and issuing certificates for 3 million apprentices without spending disproportionate amounts of time and money? Will apprentices be required to foot the bill for this certificate? What level of staffing is envisaged for this service?

As the noble Baroness, Lady Cohen, pointed out, there is a query over the remit of the institute and the number of staff available. After all, it was originally conceived with a specific focus on delivering apprenticeship reforms. Will its expanded remit become unwieldy?

The institute has explicitly been developed as an employer-led body and the Government’s appointments on the board of the institute are predominantly employer representatives. We are pleased to hear that there are at least two college heads, but should there not also be greater representation for higher education, which will have a crucial role in delivering higher-level skills? And what role will there be for learners, assessment experts, workforce representatives and indeed trade unions in the governance of the institute and in the structures for developing standards? It is vital that qualification reform works for everyone, so we would welcome clarification on how different groups will be represented. Will the new institute be balanced in its approach to developing different routes for learners or will it focus solely on apprenticeships? As we have heard, there are many other forms of training, which need to be matched to skills shortages and indeed to soft skills, as the noble Earl, Lord Liverpool, mentioned.

To those of us who have long been champions of work-based learning and achievement, the initiatives in this Bill to raise the status of apprenticeships and technical and work-based skills are a welcome move. The country faces a severe skills shortage and we need to ensure that the Government act as an enabler and work with employers, trainers and awarding bodies to produce the most appropriate routes to success. I look forward to the Minister’s response and to the scrutiny in Committee to ensure that any unintended consequences are addressed, in the hope that we can move closer to the great aspiration of parity of esteem between academic and practical routes and, as the Minister has said, to giving genuinely equally valued choices of routes to success.

6.31 pm

Lord Hunt of Kings Heath (Lab): My Lords, I start by declaring that my wife is a consultant with the Education and Training Foundation and by thanking the Minister for the extensive briefings that we have already received from him and officials on the Bill. It is a great pleasure to wind up for the Opposition. This Bill is clearly very important; it goes to the heart of one of the major challenges that we as a country face and builds on the work of the noble Baroness, Lady Wolf, and my noble friend Lord Sainsbury by laying some of the foundations that they set out. The House as a whole clearly welcomes the provisions; there is consensus in support of the Government’s main aim in relation to apprenticeships; but a number of issues have been raised that I hope we can debate in Committee.

The first issue is the quality of apprenticeship programmes. There is a concern that the target of 3 million may override the importance of quality in the programmes that will be offered. The second issue is the question of who is ultimately responsible for driving the quality of apprenticeship programmes. This is not clear and I believe that we need to tease it out in our debates. There has been a challenge over the levy and the potential for perverse incentives—my noble friend Lord Young raised it—and also questions about SME participation. We have also heard a great deal about the focus on the need for young people to receive good-quality and objective careers advice from the ages of 14 to 16, and concerns about the long-term funding viability of the FE sector after a long period of funding cuts.

Overall, the debate has shown how pressing the need is to improve technical education, in which apprenticeships play an important part, if we are to do anything about our poor performance in basic and technical skills, which is surely key to the UK’s persistently low levels of productivity compared with other advanced economies. As the noble Lord, Lord Baker, suggested, we have an alarming shortage of high-skilled technicians and, more generally, a shortage of people coming to work in sectors that depend on the STEM subjects.

The Government are investing much in an expansion of the apprenticeship programme as a core response to these worrying problems. They do so against a background of hard evidence that the current apprenticeships programme is not working. The Ofsted review in 2015 found that,

“in a third of the 45 providers visited, apprenticeships did not provide sufficient, high-quality training that stretched the apprentices and improved their capabilities”.

The review also found:

“The quality of the apprenticeship provision reviewed during this survey was too variable and ... poor ... The growth in apprenticeships in the last eight years has not focused sufficiently on the sectors with skills shortages ... Leaders of the apprenticeship provision reviewed did not focus sufficiently on improving the quality and impact of apprenticeships”.

So the big question is whether the Government’s approach will turn this around; we all certainly hope so. However, the IFS report yesterday was somewhat worrying in its suggestion that it had concerns about whether the approach would provide sufficient value for money. The most telling criticism was the question of whether the target of 600,000 new apprenticeships

a year will risk quality at the expense of quantity—my noble friend Lady Morris raised this point. I put it to the Minister that the clear risk is that in the end, because the 3 million target has been set, his officials and the bodies responsible will have that as the core target. We know that once you go for a mathematical figure, quality tends to take a back seat. I plead with the Minister to accept that the numbers are less important than the quality.

We know, too, that the Government are putting much on an employer-led approach; I understand that. But, as my noble friend said, this is not the first time that employers have been put in command. The fact is that some of the failures of the past are due to employers themselves lacking sufficient interest or investment in training and apprenticeship programmes. I know that the board that has been appointed to the institute is of very high quality—there is no question about that—but it will need to carry with it the whole employer sector, and that is where we must express some concerns about the proposals.

The second major question that has arisen today is about trying to get to the bottom of who, in the end, is responsible for making this work—for the promotion of apprenticeships, for quality, and for making sure that all the agencies involved can pull together in a cohesive approach. This has been raised with Ministers and officials in briefings. The noble Baroness, Lady Cohen, and my noble friend Lady Morris asked these questions and, essentially, we have been told that the Secretary of State is responsible for policy, the institute is responsible for designing standards, Ofsted is responsible for inspecting provision and Ofqual will inspect the assessments. My worry is that this sounds like a very diffuse approach to responsibility.

I acknowledge that the Government have appointed a very fine board, but will it actually have the capacity, the leadership and, indeed, the courage to take on a core primary leadership role? I believe that this is essential. I take the point of the noble Earl, Lord Listowel, about the Youth Justice Board being a model of where one agency has to be responsible in the end. I do not think that it should be Ministers. The board should be able to say what it thinks about what needs to happen and what is going wrong. In Schedule 1, there is one paragraph that imposes a duty on the bodies concerned to share information. I would have liked to see a duty of co-operation—a statutory duty on all these bodies to work together in relation to apprenticeships and technical and further education. I hope that the Minister will consider that.

The noble Baroness, Lady Garden, asked why insolvency measures appeared to be so up front in the Bill. There are in fact only one or two clauses that are not to do with insolvency of the further education sector. I know that the finances of FE colleges in particular are somewhat vulnerable, but this Bill does have a rather unbalanced approach in terms of its provisions.

There is no question that further education has taken a big hit in funding over the last few years. It is not surprising that the sector as a whole is financially vulnerable. In thinking about the challenges facing the FE sector, particularly FE colleges, in the future,

I would like to ask the noble Lord a few questions about the governance of FE colleges. Over the last few years those corporations have taken on more and more responsibility, yet it is clear from the colleges that have run into great financial difficulty that often their board has not been on top of the issues. There is also evidence that some principals have rather lost themselves in foreign adventures, if I can put it that way, to the ultimate financial detriment of those colleges. Indeed, a college in Birmingham is facing problems at the moment.

I was very interested to read a paper by the former Learning and Skills Improvement Service which identified a number of issues with governors. The paper stated that in FE there can be too much polite consensus to avoid conflict, insufficient challenge, a business focus at the expense of core educational performance, taking on but not managing bigger risks—and with the clerk, who essentially is the company secretary in FE, being undervalued in being able to stimulate and facilitate good governance. In the light of the insolvency provisions, which put even more responsibility on individual and corporate governors in those colleges, what is being done to strengthen governance? Company secretaries play a vital role in other public bodies and in the private sector in ensuring good-quality governance. Does the noble Lord accept that the number of FE clerks has been reduced, as have their pay and hours, and that sometimes principals appoint their secretary as a clerk? Will he look into ways in which we can strengthen that governance?

Clause 14, on student protection, is very welcome. However, the University and College Union points out that there may still be problems, particularly in relation to students continuing their studies when their provider has fallen into financial difficulty, and that they may be required to travel long distances. The union also points out that in a transitional situation and administration process it is vital to retain experienced staff to ensure that students continue to be taught by experienced teachers. So I have questions on Clause 14, but the broad principle is very welcome indeed.

Finally, the noble Lord, Lord Lucas, talked about the interface between schools and all the opportunities that lie outside. There is strong consensus on the need to strengthen the careers service. Part of that must be about UTCs and the FE sector having access to schools. But we should not underestimate the problem. It is not in the financial interest of those schools for their students to move to other providers. Although I support the relevant amendment, somehow we have to find a way to make the heads of those schools understand that it is in the public interest, and certainly the interest of their students, that the students have access to careers advice. The noble Lord, Lord Aberdare, made the very interesting suggestion that Ofsted might have a role here, and we need to look at that.

6.44 pm

Lord Nash: My Lords, we have heard many expert contributions from noble Lords with considerable collective experience of education, which I found extremely helpful. My colleague Mr Halfon, the Minister for Apprenticeships and Skills, has been present throughout

[LORD NASH]

the debate and has already told me that he found the contributions very thoughtful. I am sure he also found the debate very instructive. I have no doubt that the scrutiny this House will provide will further strengthen the Bill. As I said, I am very grateful for the points that have been made. I will respond to as many as time will allow, and write to noble Lords on those points that I cannot cover. I look forward to discussing the issues further in Committee.

A number of noble Lords raised the important question of status. I agree that we desperately need to raise the status of technical education, and ultimately to achieve parity with academic routes. We have a long way to go to achieve this, although I believe that the Bill is part of what the noble Baroness, Lady Wolf, called a serious reversal of the current situation. Many noble Lords, including the noble Baroness, Lady Wolf, the right reverend Prelate the Bishop of Norwich, my noble friend Lord Leigh, the noble Lord, Lord Watson, and my noble friend Lord Lucas raised the important question of quality. The core aim of the apprenticeship reform programme is to improve the quality of apprenticeships in England. All reformed apprenticeships will be based on a standard which has been designed by employers, giving them the opportunity to set out the skills, knowledge and behaviours that their apprentices will need to be fully competent. Over 490 standards have either been developed or are in development, involving 215 groups of employers. Instead of being assessed through a number of small, low-quality qualifications throughout the apprenticeship, in future apprentices will be tested at the end of their apprenticeship by a new rigorous assessment, also developed by employers, to really test that they can do the job. No one will be able to pass their apprenticeship unless they have met this new high bar. We have introduced new quality criteria which providers have to meet before they can be approved to deliver training as part of an apprenticeship, and Ofsted, HEFCE and QAA will continue to quality assure the training as it is delivered. The Skills Funding Agency will also continue to monitor outcomes and intervene where it has concerns.

A number of noble Lords, including the noble Baroness, Lady Morris, and the noble Lord, Lord Hunt, raised the potential problem of being fixated on targets. The 3 million target is an important galvanising force and a statement of intent but our reforms are absolutely about quality, not just quantity. Good progress is being made on the set-up of the institute and we fully expect it to be able to carry out its apprenticeship functions from April this year. Last week, we announced the institute's board members. I am extremely grateful to my noble friend Lord Baker for his very high praise for the board members. We have also published the institute's draft operational plan, which sets out how it will carry out its functions. This follows the publication for consultation earlier this year of the Secretary of State's draft strategic guidance letter to the institute for 2017-18, which outlines the policy parameters within which the institute should operate. The recruitment of the senior team is going well. The interim chief executive and deputy chief executive are in place, six permanent deputy director roles have been filled and all will be in post in April, and a permanent chair will

be announced very shortly. Job advertisements for the chairs of the institute's route panels are out now, and interviews will take place before the end of the year.

A number of noble Lords asked whether the institute will have adequate resources. The final size and structure of the institute is still to be determined, but we expect that around 60 to 80 staff members will be appointed. I am sure that my noble friend Lord Leigh will be pleased to hear about the appointment of Paul Cadman to the board of the institute. He is the CEO of a training provider.

The noble Baroness, Lady Morris, the noble Lord, Lord Hunt, the right reverend Prelate the Bishop of Norwich and others talked about overlap with other bodies. We are confident that the institute will have a clear and distinct role in technical education. Instead of embarking on a mammoth merger of the different bodies, the Government are asking Ofsted, Ofqual, HEFCE and the QAA to work together collaboratively towards a common goal. We have explained in our draft strategic guidance for the institute that we will expect it to play a leadership role in the context of apprenticeships, including establishing a quality partnership group. This is also referred to in the institute's draft operational plan published last week. To ensure the roles are distinct and transparent, we are preparing an accountability statement that will make the bodies' responsibilities clear and avoid overlap or gaps.

A number of noble Lords, including the noble Lord, Lord Watson, raised the point about representation. The shadow institute is establishing route panels, which will be aligned to the technical education routes—which are groups of occupations—and will review and approve proposals for new occupational standards and the standards and assessment plans themselves.

The noble Lord, Lord Aberdare, asked about the constitution of the panels. They will be largely made up of institute staff but will include a range of experts with knowledge of the occupations within a particular route and could include employers, academics, professional bodies, sector and trade organisations, and national colleges or other training providers. The institute is also required by legislation to ensure that all standards and assessment plans have been subject to independent, third-party scrutiny. The draft strategic guidance sent to the institute sets out that it should involve a wide range of interested parties in this process.

A number of noble Lords, including the noble Lord, Lord Addington, my noble friend Lady Stedman-Scott and the noble Earl, Lord Listowel, raised the question of technical education for vulnerable students. Technical routes will be fair and accessible to young people with SEND and care leavers, and reasonable adjustments will be made to enable them to take part and succeed. When such young people cannot access a route because of prior attainment, they will have a "transition year", which will be flexible and tailored to individual need, with additional support to ensure that care leavers and young people with SEND complete their courses and move on to the next stage of their learning. This "transition year" will help young people from all backgrounds, ability levels and personal circumstances to gain the skills they need to enter employment.

My noble friend Lord Leigh and the noble Lord, Lord Aberdare, raised the question of representation of apprentices. To ensure that the institute represents the views and interests of apprentices, it will establish an apprentice panel by 1 April, which will report and make recommendations directly to the board. This panel will be made up of apprentices from different occupations and experiences, and it will decide for itself what issues it will focus on.

On copyright, which was raised by my noble friend Lord Lucas, the noble Lord, Lord Aberdare, the noble Baroness, Lady Garden, and others, under the reforms it is our intention that there will be one qualification per occupation or group of occupations. Employers and other professionals will play a significant role in determining the content of the new qualifications, with the support and input of the institute. The institute will have the final say over approving these qualifications and their content. It is therefore appropriate that copyright for relevant course documents should rest with the institute. The institute is empowered to grant any person, including that organisation, a licence to use the qualification for a specified period or potentially to be used for other markets; that is, internationally. As a public body, the institute is under a duty to act fairly and transparently.

We recognise that this is a significant departure from the current system, whereby awarding organisations are free to decide on the qualifications they offer and on their content. We know that copyright is an important feature of the current system. However, I reassure noble Lords and awarding organisations that the copyright measures in the Bill are not intended to disadvantage them. To make sure that the new system is fair and transparent—and that it remains an attractive commercial proposition—we want to work with awarding organisations and others. We want to hear their views on these arrangements; for example, what the length of a contract should be or exactly which documents should be the subject of copyright. It is instrumental to the reforms that the institute, rather than organisations, dictates the content of the qualification. We believe that this will help drive up competition and keep the market active. Organisations whose qualifications were not approved in one round will be able to improve their qualification and its delivery and bid in another round. They would be prevented from doing so if copyright were not vested in the institute.

A number of noble Lords, including my noble friend Lord Lucas, raised the point about the single awarding body. To bring the system in line with the best in the world and ensure excellence in technical education, the noble Lord, Lord Sainsbury, recommended a single awarding organisation per qualification. The proliferation of qualifications has in the past led, as we all know, to a race to the bottom and a decline in standards.

The noble Baroness, Lady Garden, asked about certificates, as did my noble friend Lord Lucas and the noble Lord, Lord Aberdare. The institute will have overall responsibility for apprenticeship certificates. It will work with the SFA to design a high-quality apprenticeship certificate that will be awarded to learners who successfully complete their training. Every apprentice

will receive the same design, and in time, learners who pass an approved classroom-based course will also receive a similar institute-designed certificate. The institute is by no means an awarding organisation, and a certificate will be given only when the assessment organisation has confirmed that the apprentice has passed their end-point assessment and this has been validated by the SFA.

Approving certificates for standards will be much less bureaucratic than for frameworks; indeed, the SFA took on responsibility for the certification of apprenticeship standards at the start of this year, and the cost will be covered by the employer, not the apprentice.

My noble friends Lord Baker and Lady Stedman-Scott and the noble Lord, Lord Hunt, asked about pupils moving at 14. Young people can choose to focus on technical education at various ages and stages. Between the ages of 14 and 16, young people can study technical awards alongside their GCSEs, and of course they can enrol at a UTC, to which a number of noble Lords referred.

I am grateful for the endorsement by the noble Baroness, Lady Wolf, of the insolvency measures in the Bill. I will reflect on how we might consider the independent provider sector and how best to protect students—a point my noble friend Lord Lucas also made. HE and FE sectors have different characteristics, so it follows that they might need different approaches to student protection in the event of insolvency. The Higher Education and Research Bill requires student protection plans to be put in place by providers. Both SPPs and the special administration regime have the same objective of student protection, albeit by different means. The likelihood of insolvency of independent training providers is low; the SFA oversees a rigorous process through approving and monitoring independent providers, which subject financial returns to the SFA. Independent providers eligible to offer student loans are subject to the SFA's policy on intervention, which is triggered by Ofsted inspection or not meeting SFA standards. We have put into intervention that it may have to take remedial action, with the potential effects on learners taken into account. As companies, independent training providers are already subject to insolvency law and, like public providers, private providers are already subject to obligations in their funding agreements which they have with the Government, which require them to protect the interests of students.

On more detail on private providers, the noble Lords, Lord Watson and Lord Aberdare, raised the question of the private sector from slightly different directions, as one might expect. The private sector already provides a significant amount of education and training very effectively. It is true that transfers can be made to private companies. However, I recognise the concern that assets which may have been paid for by the taxpayer, and for the purposes of providing education, should not then be transferred to the private sector on the cheap. I reassure noble Lords this is not the case. The Bill provides four key protections, acting as a quadruple lock, should the education administrator deem it necessary to make a transfer scheme for the property, rights or liabilities of an insolvent FE body.

[LORD NASH]

First, the education administrator is restricted in who they can transfer the assets to. These bodies are prescribed in secondary legislation and are public sector bodies with educational functions, colleges and similar public-funded educational bodies. Transfers may be made to private companies, but if so, the company must be established for the purposes, which include the provision of educational facilities or services. Secondly, any transfer scheme must be for the purposes of achieving the special objective; that is, it must avoid or minimise disruption to students. Thirdly, creditors have a right of challenge should they consider that the education administrator is not working to fulfil the objective of achieving the best result for creditors as a whole, so far as is consistent with that special objective with regard to students. Finally, the Secretary of State or Welsh Ministers must approve the proposed transfer scheme. Any approval will include, among other matters, consideration of whether it is for the purposes of achieving the special objective.

The noble Lords, Lord Watson and Lord Young, mentioned the IFA's assertion that most money raised through the levy will not be spent on apprenticeships. We disagree with this. By 2019-20, spending on apprenticeships will be £2.5 billion, and we are confident in the extensive research that demonstrates the real economic benefits that apprenticeships deliver.

Lord Watson of Invergowrie: When the issue was discussed on Report in the other place, the question was raised as to whether the Treasury might keep part of the money raised through the levy. I do not think that I am being unfair to the Minister for Apprenticeships and Skills when I say that he did not answer that question clearly on Report. Can the Minister give us an assurance now that all the money will stay in the sector, not with the Treasury?

Lord Nash: I will write to the noble Lord about that, checking carefully before I respond.

I was very interested to hear from the noble Baroness, Lady Cohen of Pimlico, about her involvement with the Cambridge UTC and the Parkside educational trust MAT, and about the advantages. For the very reasons that she mentioned, it is our policy to encourage all UTCs to join MATs. On her point about the evaluation of UTCs and the fact that apprenticeships are not recognised in outcomes, this is something that we are looking at very closely at the moment. She also made the point that institutes should not approve degree apprenticeships. Degree apprenticeship standards are currently approved by my department. I can reassure her that, although the institute will take on this approval function, it will not be responsible for investigating or engaging with individual universities. However, it will of course work with the Office for Students in the future.

Many noble Lords raised the important matter of careers and careers advice. We take this extremely seriously. That is why the industrial strategy set out that we will publish, later this year, a comprehensive strategy for careers information, advice and guidance across all ages, expanding the quantity and quality of careers advice. As my noble friend Lord Lucas rightly

pointed out, the development of careers leadership in schools and colleges will be an important element of this.

We are investing £90 million in this Parliament to improve the quality and coverage of careers advice for young people, and the Careers & Enterprise Company continues its excellent work. I echo the praise expressed by the noble Lord, Lord Aberdare, for this organisation, which is very ably run by Claudia Harris. Picking up on the point made by the noble Lord, Lord Storey, about the importance of careers education, the advisers will also support schools and colleges to develop comprehensive strategies. However, more needs to be done to inform pupils of their options. We have recently agreed to institute a requirement for local authorities to write to the parents of year 9 students, informing them of the existence of UTCs, further education colleges and studio schools that offer courses for students starting at the age of 14.

My noble friend Lady Pidding made a good point about the need to do more to promote apprenticeships. We launched a new apprenticeships communications campaign in May last year, promoting the benefits of apprenticeships for young people. It builds on the previous successful Get In Go Far campaign. National Apprenticeship Week 2017 will take place in March, celebrating the positive impact of apprenticeships and traineeships.

As the noble Lord, Lord Watson, said, getting careers advice right is an important area—as the Minister, my honourable friend Robert Halfon, noted in his careers speech on Monday. I look forward to hearing more from noble Lords in Committee, including my noble friend Lord Baker, about approaches to strengthening careers advice.

My noble friend Lord Baker talked about maths, as did the noble Earl, Lord Listowel. We now have maths hubs and are supporting many maths programmes, such as Singapore maths and Shanghai maths. Over the last few years there has been a substantial increase in the number of pupils taking maths GCSEs and A-levels. My noble friend Lord Baker talked about the skills gap in STEM subjects and computing. We have introduced coding and computing into the curriculum for the first time. He said that there were just over 60,000 pupils taking computing at GCSE. I accept that that is a small number, but it is from a standing start. I pay tribute to my noble friend's engagement in the digital economy through UTCs.

My noble friend Lord Lucas talked about schools having a dedicated person to engage with the world of work. I consider that to be very important. I know that before the last election the noble Lord, Lord Adonis, had the idea that this should be the case in every school. We are not as prescriptive as that, but certainly it happens in my schools. I think it is very important that schools try to find the money in their budget to do that because, when you see the effect of pupils' engagement with the world of work, the payback is obvious. Regarding the school sector's engagement with the world of work, we have certainly found that the door is wide open, with businesses and the professions being extremely willing to help.

The noble Baroness, Lady Morris, talked about the importance of flexibility, and I entirely agree. A framework

of routes will ensure that choices are clearer for young people. She also raised concerns about assessment and the approach to assessment for apprentices, and I look forward to discussing this with her further in Committee. We recognise that there is more to do to ensure the breadth of the high-quality assessment organisations that we need, but we have been making good progress through the register for assessment organisations, run by the Skills Funding Agency.

The noble Lord, Lord Watson, asked why less money was spent on post-16 education. The best predictor of attainment at age 19 is attainment at age 16, and that is why we prioritise school funding. As we all know, students have many more pastoral issues, which are expensive to deal with, in the earlier years.

The noble Lord, Lord Hunt, referred to the governance of FE colleges. We talked about this when we met yesterday, and I have already discussed it with my ministerial colleague, Robert Halfon. For the academies programme, we have started something called Academy Ambassadors, recruiting pro bono non-executive directors from businesses and the professions to the boards of multi-academy trusts. As of this morning, we have already made 417 appointments, which is quite a pro bono movement up and down the country. I have discussed with my fellow Minister the possibility of encouraging FE colleges which need further support on their boards to engage with this programme.

The noble Baroness, Lady Garden, asked whether craft, creative and service skills are intended to be covered by technical education. The answer is that they are. The noble Lord, Lord Storey, talked about the relevance of courses, rather than students just doing courses that are popular. Of course, our destination data and data on jobs and pay rates, as well as on payback from courses for students, will in future enable students to make much more informed decisions.

My noble friend Lord Leigh asked about spending on adult education. The total spending power of the FE sector to support adult and 19-plus participation will be £3.4 billion by 2019-20. In cash terms, this is an increase of 40% compared with 2015-16. Within the £3.4 billion, the Government have maintained funding for the adult education budget, which supports adult skills participation in cash terms at £1.5 billion.

My noble friend Lord Baker used some statistics from Davos which were very persuasive. Industry and all of us are aware of these issues. They create an urgency, but I am as hopeful as the noble Baroness, Lady Morris, that this is the moment when we start to reverse the trend that we have all discussed today.

Today's debate has been thoughtful and enlightening, and I look forward to further discussions. The noble Baroness, Lady Morris, said—

Lord Young of Norwood Green: I asked about the application of the levy and the involvement of SMEs in apprenticeships. I do not know whether the Minister is intending to address those points.

Lord Nash: I do not have time now, but I will write to the noble Lord on those points.

The noble Baroness, Lady Morris, said that the Bill looked like somebody who had lost their best friend. I think that it has found a number of new friends during

this debate. As I said, I will write in response to the points that I have not covered. That letter will be sent to all noble Lords, with a copy placed in the House Library, alongside policy statements explaining the delegated powers set out in the Bill. I should also be very happy to meet noble Lords to discuss the Bill, along with my ministerial colleagues and officials, if they would find that useful. We are listening and will reflect on the important points raised today, and I look forward to more detailed scrutiny in Committee.

Bill read a second time and committed to a Grand Committee.

NATO: Member State Spending

Question for Short Debate

7.08 pm

Asked by **Lord Touhig**

To ask Her Majesty's Government what progress they have made in discussions with other NATO countries about ensuring that all member states commit to spending two per cent of GDP on defence.

Lord Touhig (Lab): My Lords, in the two weeks since he was sworn in as the 45th President of the United States, Donald Trump has been in the news every day. An anxious world has sometimes been stunned by his words, whether spoken or tweeted in the middle of the night. But I recall the words of another United States President, who said:

“To be prepared for war is one of the most effectual means of preserving peace”.

Those words were spoken by America's first President, George Washington, in the very first State of the Union Address in 1790. I am not suggesting that a conflict is looming, but I echo Washington in saying that to keep the peace, we must be always be prepared for conflict. Do I believe that Britain is prepared for a sudden and unexpected conflict? Sadly, my answer is that I have serious doubts, and I am not alone in that, as I will show in my remarks.

As I stand at the Dispatch Box this evening, one word comes to mind about the Government's commitment to the NATO 2% spend: disappointed. I am disappointed that our Government are playing fast and loose with defence spending. The Government continue to say that we have the fifth largest defence budget in the world and that we are one of five nations out of 28 NATO members committed to the 2% target. However, in the SDSR 2015, a new creative accounting was orchestrated by the Government so that they could reach that 2%. Professor Malcolm Chalmers, the deputy director at RUSI, told the Defence Select Committee that the Government had included £820 million on war pensions, £400 million on UN peacekeeping and £200 million on pensions paid to retired civil servants. The committee concluded that this “redefinition”, as it described it, of defence expenditure undermined the credibility of the Government's assertion that the 2% represents a significant increase in defence spending. The Government responded by saying that all they were doing was capturing all spending contributing to

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our defence in the 2%. I am certainly interested to see whether the Minister will explain how paying pensions to civil servants contributes to Britain's defence.

On these Benches we welcomed the Government's commitment to spending 2% of GDP on defence. However, how can we persuade other member states to reach that 2% target if we are using creative accounting to reach that goal ourselves? Let us not forget that 2% is the minimum spend, not the maximum. It must concern all of us that the other 23 members of NATO are in no rush to increase their defence budgets when we see Russia spending \$90 billion and China spending \$150 billion on modernising their forces. Russia has placed a number of nuclear-capable missiles in Kaliningrad, on the border of Lithuania and Poland. That is but one measure of the challenge that we and NATO face.

I have been encouraged by the comments attributed to US Defence Secretary James Mattis, who has reassured our Defence Secretary of the United States's "unshakable commitment to NATO". I was more encouraged when, following her meeting with President Trump, our Prime Minister spoke of his unshakable commitment to NATO, although I would like to have heard the man himself say it. I remember candidate Trump's comments about NATO in the election campaign. He said then:

"We have many NATO members that aren't paying their bills ... Many NATO nations are not making payments, are not making what they're supposed to make".

The new President has been busy signing executive orders almost every day since he walked into the White House. I hope we will not wake up one morning to see that he has tweeted in the middle of the night his intention to sign an executive order reducing American support for NATO.

Our NATO partners have to wake up to the fact that the Americans may well do things differently under this President and must take seriously his challenge about their GDP spend on defence. NATO is the bulwark of our defence and the United States plays the leading role. At the start of January, NATO began deploying 4,000 troops to the Baltic states. Britain, rightly, in support, committed 800 personnel to Estonia, four Typhoon aircraft in Romania and 150 personnel to Poland. A resurgent Russia is testing our resolve to deter and defend. Only last week, the Royal Navy was tasked with escorting the Russian aircraft carrier and its support group through the channel. We are also having to monitor increasing numbers of Russian submarines in the waters around the UK, and we do so without any marine patrol aircraft. In addition, we are seeing more and more Russian military aircraft flying dangerously close to our airspace. There is much more we have to do and my concern is that the Government, driven by a passion for an austerity policy which has failed miserably, are not sufficiently engaged to meet these challenges, and nor will they ever do so without increased defence spending, at least to a genuine minimum spend of 2% of GDP.

No one put it better than my noble friend Lord Robertson of Port Ellen, who said in a speech in 2015 that,

"the 2% only makes sense if it is spent on the right things—deployable troops, precision weapons, logistics and specialist people".

He was quite right on that. When he opened the defence debate in this House on 12 January, he warned that we were sleepwalking into a potential calamity. Like my noble friend, I worry about our ability to meet the unforeseen.

I think that all the more having read the report from the Centre for Historical Analysis and Conflict Research. Based at Sandhurst, the centre examines past and current operations, carries out analyses and research, and acts as the Army's think tank. The participants, some of the Army's brightest minds and all serving officers and soldiers, are encouraged to speak out of turn to help inform our approach to requirement setting and procurement and to influence the perception of the Army. The report said that we may not be facing an immediate military threat but that there are several scenarios in which our allies may face a threat and we may need to engage. It asked the question: is the British Army ready if we become engaged in a war that we did not foresee? The soldier-scholars concluded:

"If one merely sees preparedness through net manpower and kinetic force capacity, the answer might be a simple 'no': the British Army is at its smallest and has faced years of budget cuts".

I make no criticism of the Army, but I am critical of the way the Government have starved our Armed Forces of investment. We can have the latest equipment at our disposal but, if we do not have the manpower, how do the Government expect our Armed Forces to defend the liberties that we uphold?

I am proud of the fact that during the 13 years of the Labour Government, we spent an average of 2.5% of GDP on defence. This excluded the cost of conflicts in Iraq and Afghanistan, where expenditure was met from the Treasury reserve and not the defence budget.

In a recent Written Question, my noble friend Lord West of Spithead asked the Government whether there had been any consideration of reviewing the decision made by the previous Chancellor on funding for the new Dreadnought nuclear submarines. He and I agree that the funds should come from the contingency controlled by the Treasury and not from an overstretched defence budget. The Minister responded by saying that the funding of the new submarines—around £31 billion—would remain part of the defence budget. This is disappointing, and yet another example of the way in which this Government are stretching a limited defence budget and, at the same time, shamelessly massaging the figures to give the impression of meeting the 2% spend of GDP on defence.

Britain and the United States must be at one, doing everything possible to persuade our NATO partners to meet the 2% pledge they made in 2014. If Britain is to join the US in taking a moral lead, we can do so only if we spend a genuine 2% of GDP on defence.

7.17 pm

Lord Jopling (Con): My Lords, I am sure we are all grateful to the noble Lord for having instigated this debate. I congratulate him on that and would like to follow on from some of the points that he has helpfully made. It is timely that we should have this debate so

soon after the change in the Administration in the United States. Quite frankly, there has not been too much to cheer President Trump for over the past few weeks. However, we must begin by expressing a sense of relief that during the Prime Minister's visit to Washington, he managed to bring himself to say that he has 100% support for NATO. That is most welcome and a relief. We must especially commend him for again raising the way in which some NATO states, especially in the European sector, remain freeloaders in supporting NATO.

As the noble Lord said, it was only two years ago, in 2014, that all the NATO countries solemnly got together at the Welsh summit and committed themselves to spending 2% of GDP on defence. Following on from what the noble Lord said about the UK spending 2%, according to the statistics in the most helpful Library briefing pack, current UK spending on defence is 2.1%. When the Minister replies, will he say whether the Government believe that this is the correct figure? If it is, surely it kills all the arguments of those who say that in justifying 2% we are loading various other costs on to the defence budget. The costs to which the noble Lord referred—pensions is one—are easily absorbed in the excess over 2% which the UK is now spending.

Where have we got to two years after the Welsh summit? I find it quite extraordinary that four European states are still spending less than 1% of GDP on defence. For many years I have been a delegate to the NATO Parliamentary Assembly. I was very recently vice-president and I am currently chairman of one of the committees and a member of the standing committee and the bureau. For years it has been thought rather bad form and bad manners to draw attention to those states that do not shape up. The time has come to put the record straight. Let us put it on the record now. According to the statistics in the Library's briefing, Slovenia is still spending 0.94%, Spain 0.91%, Belgium, if you please, 0.85%, and Luxembourg, one of the richest countries in Europe, 0.44%—less than half of 1%.

The noble Lord referred to the background we face, with Russia rattling its sabre on NATO's eastern frontier. Following the outrageous transgressions of Russia in recent years in Georgia, South Ossetia, Abkhazia, Crimea and Ukraine and, as the noble Lord said specifically, in placing highly offensive weapons in the Kaliningrad part of Russia next to the Baltic states, it is worth pointing out that NATO is responding to the situation, which reflects the urgency that NATO clearly feels. We are in the process of deploying battalion-sized battle groups to three Baltic states and Poland—the United States leading the one to Poland, Canada to Latvia, Germany to Lithuania, and the United Kingdom to Estonia. The battle groups will be in place in order to ensure that any offensive action by the Russians in any of those states in taking on the battle groups will be a clear transgression of Article 5 of the NATO treaty.

I have already referred to the member states who spend less than 1% of GDP on defence, but, there are 14 who are still spending less than 1.5%. The figures on page 5 of the Library briefing are extraordinarily helpful. They include rich countries which should not be in this position. I have already referred to Belgium

and Luxembourg in the under 1% group, but those in the under 1.5% group include rich countries such as Denmark, Germany, Italy and the Netherlands.

One might ask what they are doing to put defence spending closer to their solemn commitments. This makes dismal reading. Looking again at the statistics the Library has produced, in the last year Belgium has decreased its spending by 5.3%, Croatia by 8.8% and Poland, surprisingly, by 7.8%. It is a dismal picture—it is a disgrace, quite frankly—given the antics of Mr Putin as we see them. I hope the Government will tell us of the positive and timely steps they are taking to name and shame, as I have tried to do tonight in the House, and that they will use every effort to persuade these countries in the strongest terms to come to the figure they all solemnly agreed two years ago at the Welsh summit.

7.26 pm

Lord Murphy of Torfaen (Lab): My Lords, it is a great pleasure to follow the noble Lord, Lord Jopling, with all his experience of NATO and the NATO Parliamentary Assembly, and to agree with every single word that he said. It is also always a great pleasure to follow my noble friend Lord Touhig, who often reminds the House in debates of this nature that NATO was founded in many ways by a Labour Government and that over all the decades since then, whenever there has been a Labour Government there has been absolute support for NATO—as indeed there has been from every Conservative Government that we have had since the war as well.

My noble friend quite rightly reminded us that we live in troubled, turbulent and dangerous times, that the threat from Russia is a real one in many respects, and that these points were made a few weeks ago in a debate in this House led by my noble friend Lord Robertson. He also reminded us that the election of Mr Trump as the President of the United States of America has set us all thinking. I am no fan of President Trump but he quite rightly said that NATO members in Europe, as the noble Lord, Lord Jopling, mentioned, are not pulling their weight in providing the necessary resources for the organisation.

Noble Lords will know that defence spending in NATO fell considerably during last year to this year and that the United States pays 70% of NATO's spending. You can understand President Trump's feelings when only the United States, ourselves, Poland, Estonia and Greece—unlikely countries some of them—met the 2% target set down in Newport in 2014 when NATO visited Wales. The noble Lord, Lord Jopling, quite rightly referred to some of the culprits in this regard—Spain, Canada, France, Belgium, Germany and others. In November last year the Secretary-General of NATO, Jens Stoltenberg, said that if all NATO countries were to meet the 2% target then tens of billions of pounds would be added to the NATO budget for its use.

It is interesting that we are speaking at a time when by now, I assume, the Brexit vote on triggering Article 50 has gone through the other place because that will have an effect on our relationship as a NATO member with non-EU allies. Eighty per cent of NATO spending when we leave the European Union will be

[LORD MURPHY OF TORFAEN]

the responsibility of non-EU countries, including ourselves. Moreover, three out of the four NATO battle groups in Poland and the Baltic states are currently from non-EU members.

I do not agree, as I have read somewhere, that our leaving the European Union means that we will no longer hold the position of second-in-command in NATO. I think that that is fanciful in terms of the importance of our Armed Forces. However, Brexit will affect spending in the Ministry of Defence, not least because of the fall in the value of the pound and the effect that will have on procurement. Defence cuts over the years will undoubtedly affect our capability as a leading NATO member. I also agree with my noble friend that 2% of GDP should be a minimum, not a target, and that more should be spent.

I want now to spend a few moments on the point made by my noble friend and others with regard to the legitimacy of the 2% figure, something that was touched on a few weeks ago and to which the Minister referred in his speech winding up that debate; no doubt he will do so again today. I reiterate: included in that figure of 2% is £820 million for war pensions, £400 million for UN peacekeeping missions, £200 million for Ministry of Defence civilian pensions, one-off spends that are unable to be carried over, and so on. I welcome the extra £5.7 billion that the Government have put into defence and of course I welcome the new joint security fund, but we have to be honest both with ourselves and with the country—the figures which now make up the 2% spend are very different from what they used to be. My noble friend referred to the House of Commons Defence Select Committee, which has argued that 2% does not mean that we are adequately resourced. It also noted,

“that the NATO minimum would not have been fulfilled if UK accounting practices had not been modified”—

this is what the Minister will tell us later—

“albeit in ways permitted by NATO guidelines”.

The committee went on to say:

“We believe that this ‘redefinition’ of defence expenditure undermines, to some extent, the credibility of the Government’s assertion that the 2% figure represents a significant increase in defence expenditure”.

I have had a look at the Government’s response to the 28 recommendations made by the Select Committee and I have to say that it is a model of obfuscation. It really does not answer the points and totally ignores the fact that, if you are now putting into that 2% sums of money that were not included before and which have no direct impact at all on how an army, navy and air force operate, because those sums are mainly going on pensions, of course it means in effect that we are now putting in less than we used to before the 2% figure was arrived at. RUSI has said that under the old system it would in fact amount to 1.97%, not 2.1%, so it is effectively a reduction in what used to be counted towards that 2%. I am not saying that NATO disregards these things because it does not, but it is what we as a country and as a Government have been doing over the last years that matters most. My plea is for honesty in these things and not some rather spurious reasoning.

Despite all that, I do not doubt the Government’s commitment to NATO because it is the bedrock of our defence, of Europe’s defence, and indeed of the world’s defence. There is a need for the Government and all of us to exercise our influence on the other members of NATO to meet that 2% target but we have to be in such a position that, in arguing that other countries should meet the target, we are responsible about what goes into the 2%.

My noble friend and others have mentioned the US President, but I shall come back to him. Today in the House of Commons the Prime Minister was asked two questions about NATO, two questions about defence spending and two questions about the President of the United States and his commitment. She said that she had received assurances from the President that he was now in favour of NATO, even though he called it “obsolete” during the course of his election campaign. While I agree that NATO members must come up to the mark with regard to their NATO spend, I think that it is stretching it a bit in terms of what he said. All I could make out during the President’s press conference with the Prime Minister was, frankly, no more than a grunt and a nod because he said nothing. What the Prime Minister or perhaps the British ambassador must now do is press the point that the President should come out and say something about NATO which indicates that he is in favour of it. A second-hand account of what he said and the sight of a nod simply do not come up to the mark.

This is an extremely important debate being held late in the evening. The Minister knows that the Labour Party supports him and his Government in these matters. It is therefore important that when he and his colleagues in the Ministry of Defence are in the international forums, they should indicate to our fellow members of NATO that they simply have to come up to the mark.

7.35 pm

Lord Clark of Windermere (Lab): My Lords, I am delighted to take part in this debate and I congratulate my noble friend Lord Touhig on calling it. I am also delighted to follow my old friend the noble Lord, Lord Jopling, and my noble friend Lord Murphy because they have shown their deep commitment to issues of defence over the years, as I hope I have as well. Looking back, I realise that it is now 37 years since I was on the Front Bench in the other place responsible for defence, and over that time I have seen many changes. I want to reflect on some of them this evening and perhaps give some indication of the dangers we might face in the immediate future. But I certainly agree with the basic point that since it was formed, NATO has been the cornerstone of our defence spending and activity. Indeed, without NATO it would have been very difficult for us to do many of our defence activities.

As I say, we have seen many changes over the years. The noble Lord, Lord Jopling, and I remember clearly the Cold War. Being on the NATO PA during those years, I well recall the horror and the difficulties of trying at least to engage with the Russians, although we as parliamentarians were able to achieve some success in ways that were not always easy for Governments. I thought that that was very helpful.

The amazing thing is that the cornerstone of NATO is Article 5, which sets out the right of a nation to assistance if its sovereignty is under attack. It is worth reflecting for a moment on the fact that the first time Article 5 was used was in circumstances completely contrary to those for which it had been envisaged. It was used after 9/11. The most powerful country in the world was the recipient of that assurance from the rest of NATO. But the uncanny thing is that NATO was designed to counter enemy action by other states, but it was not a state that forced the invocation of Article 5, it was a terrorist attack. That change means we need another dimension to the way we look at our defence efforts.

I will reflect again on the work of the noble Lord, Lord Jopling, who did so much in NATO. With the collapse of communism, the emancipation of the countries of eastern Europe and the symbolic fall of the Berlin Wall, things changed and perhaps we relaxed a little too much. Perhaps we ought to have been examining the role and the nature of NATO because the demands being made of it had changed. It is interesting that when these nations gained their independence, the very first thing most of them did was to bear in mind the remit we often mention in this House, which is that the first duty of any state is to protect its citizens. So what did they do? They all ran to NATO. Indeed, before they got into NATO, most were accepted as members of the NATO Parliamentary Assembly. The noble Lord, Lord Jopling, and I had a bipartisan approach to that across both Governments and both sets of parliamentarians. We led the way and paved opinion in that respect. That was a very worthwhile job for parliamentarians to do. It is interesting that those nations applied to NATO; they did not initially apply to the European Union. I will come back to that a little later.

I am not going to debate whether the 2% is 2.1% or 2.08%, because that has been raised. I think it is above 2%. I accept that it is within the NATO rules, but the basic point my noble friend Lord Murphy made was that it is not as much as it had been previously. That is the key point to bear in mind.

Having made that point, I will develop one or two things. For five years I was the shadow Secretary of State for Defence. In that time I repositioned the Labour Party, with the help of colleagues. As my noble friends have said, Labour Governments have always been loyal to the defence of this country, because it is our country just as it is every other citizen's country. Therefore, one of my basic desires was to develop as far as possible—it was not always possible—a bipartisan approach to defence. I do not see anything wrong with that. If we are talking about an issue as fundamental as defence, of course we have to criticise and hold whichever Government to account, but there is no reason why we should not be working together for the common good and safety of the British people.

It is a question not only of the money spent, but often of attitude. I believe that the British Armed Forces are second to none in the world. They are absolutely brilliant. I have seen them in action—I mean in action—all over the world. The one thing that taught me was that this was because of not only the

training and skill of the Armed Forces, but the equipment. In some areas of action I felt that not many countries did not have the equipment we had to do the job. The Americans are excluded from that; we did not have the variety they had.

When one then looks at the figures, it is mind-boggling that after Brexit, at current spending, 80% of NATO's budget will be provided by non-European Union members. Surely the Europeans cannot let that continue. Although we saw times 15 or 20 years ago when there were moves for Europe to develop its own defence, a number of us had to fight quite hard—Governments of both parties were on the same side on this—to argue that we could not forsake NATO. NATO was still the bedrock. The situation I just described reinforces the point made by everyone who has spoken in the debate so far: we must get the European Union countries to increase their contribution to at least 2%.

I end with a point on change. We are talking about not only hardware or armed forces when we talk about security. The lesson of Article 5 and 9/11 is that we have to fight Daesh and terrorist groups wherever they are. That means there is also a challenge for things such as cyberwarfare and intelligence. I approve of the Government's £1.6 billion joint security fund. That is the right way to do it. It probably has to be integrated more into the defence budget as time goes on, but that might happen. My key point is we need to work together. We have to be prepared for changes, especially after Brexit.

7.45 pm

Earl Attlee (Con): My Lords, I am grateful to the noble Lord, Lord Touhig, for introducing his QSD. I remind the House of my technical interest. While I agree with some of his points, I am a little disappointed with his approach. He complains about creative accounting, but so far as I can see, the United Kingdom's 2% is totally compliant with the NATO guidelines. Furthermore, noble Lords should note that gendarmeries, carabinieri or forces of that type can also be included in the 2% figure, provided they are realistically deployable. We have no such forces. The term "realistically deployable" is very elastic. I would be very surprised if other EU states are not taking advantage of it.

From what the noble Lord told the House, I hope we can look forward to a commitment on his party's part in its next election manifesto to increasing defence expenditure—my noble friend the Minister and my party would then have to match that commitment—while maintaining a continuous at-sea nuclear deterrent.

The honest answer to the noble Lord's Question is "not very much progress", because other NATO states are quite happy to have Article 5 protection without having to pay for it. I am sure that my noble friend will have a positive reply to the QSD. UK Ministers and officials will of course constantly pressurise other EU states to increase their defence expenditure, but they are sovereign states. The UK itself cannot be faulted. Despite economic challenges the UK still meets the 2% target—yes, I know with a little bit of creative accounting—and the 0.7% of GDP target on international aid: a proud record indeed. Of course, it is not just hard power, but soft power. We do both.

[EARL ATTLEE]

In case any noble Lords think that I am a sycophantic Back-Bencher, I gently point out to my noble friend that 2% of GDP is not enough in the current circumstances. Secondly, I remind him that, as we have said, the United States is spending 3.5% of GDP on defence. I suspect that that is a bit too much, but noble Lords can see why the United States is getting a bit fed up with our EU partners not pulling their weight.

It is a question not just of what percentage of GDP we spend on defence—of course, percentage of GDP is the only sensible comparable measure. The UK has been very careful to have a balanced capability. We spend on the right things. There is no point having a row of shiny platforms when the equipment is not sustainable, you cannot move it to where it is needed, or you have no ISTAR capability to determine where the enemy is. We are not perfect in this regard—noble Lords have mentioned maritime patrol aircraft, but that was capability management: the threat has increased slightly, so we have decided to bring back a maritime patrol aircraft capability—but overall, we have a very good record of capability management and having a balanced capability.

Everything has a Brexit dimension nowadays. According to a calculation done on my behalf by the Library, without the UK, the EU 27 will spend only 1.18% of GDP on defence. The noble Lord, Lord Clark, put it slightly differently by saying that 80% of NATO defence expenditure would be from outside the EU. Clearly, the US will not tolerate this for ever.

As a nation, we should be proud of what we do to keep ourselves, our partners and our friends around the world safe and secure. I hope that my noble friend the Minister will have a robust reply.

7.50 pm

Lord Soley (Lab): My Lords, this debate takes place at a time of considerable instability in the world, but it is easy to forget that, apart from the horrors of Syria and aspects of the Middle East and Ukraine, the world is far more peaceful than it has ever been. The danger is one of complacency. I would not accuse the noble Earl who has just sat down of being a sycophantic Back-Bencher—I will leave him to decide that—but I am just a bit worried about complacency.

I raised two years ago the rapid rise in Russian defence spending—I think that at that time it was 10%. I was concerned that such an increase indicated why Russia was thinking of developing its potential. We have seriously underestimated President Putin's intentions, particularly in Syria and to a considerable extent in Ukraine and elsewhere, as well as—and totally unexpected by me—in the world of cyber warfare. Those are serious threats to the stability of the world. One then has an unknown entity in the form of President Trump and an unknown situation in relation to Europe and Brexit. So instability should be our watchword. If instability exists—this goes back to something my noble friend Lord Touhig said in his excellent introduction—we should be mindful of the statement that if you want peace, you should prepare for war. We should perhaps bear that in mind, too, in relation to defence spending, because 2% is probably too low in the present circumstances. I know of all the

economic difficulties, but if we want peace—which I think we all do—we must recognise that until human beings have better ways of keeping peace, this is probably the best way of doing it.

There is another point which is profoundly important. My noble friend Lord Touhig referred to pensions, particularly civilian pensions, and contributions to United Nations peacekeeping and so on being included in the defence budget. The noble Lord, Lord Jopling, read out the excellent and helpful list that is available from the Library of the expenditure of other countries on defence. The issue is not just one of creative accountancy, as the noble Earl, Lord Attlee, said; it is also that if we are claiming that we can include those things in our defence expenditure then so also can those countries that the noble Lord, Lord Jopling, read out. If we think of how little some of them are paying and if they have the same practice, it would be very useful for the House to know—I am sure that the Minister will not be able to answer right now—what the accountancy procedure is in those various countries. If they are including things such as pensions and contributions to United Nations peacekeeping, the position is even more serious than I thought.

Earl Attlee: My Lords, that was exactly my point about gendarmeries and the carabinieri. I put it very clumsily, but it was exactly that point.

Lord Soley: I accept that clarification; it is very helpful. I must admit that I am more concerned in a way about things such as pensions, particularly civilian pensions. What on earth are we doing including those in defence spending? If I was in Luxembourg right now, I would be thinking very hard about our accountancy system. I say to the Minister and to my own Front Bench that we should ask all NATO members to spell out what is included in that defence spending. I would not expect to see pensions and contributions to United Nations peacekeeping. We should take quite a hard line on that because, if we did, the figures would look much worse, but at least we could address the matter more seriously.

Lord Jopling: It might be helpful to have what the noble Lord suggests, but also let us point out that if defence spending is 2.21%, which the Library says it is—that same figure appeared in the *Times* only a few weeks back—it is worth roughly £4 billion, which is a massive amount of spending on top of the 2%.

Lord Soley: I understand and accept that point, which the noble Lord made very clear in his contribution, but I simply say that if we have a system where we include such things as defence expenditure, first, it opens the door to other countries which are paying in very little to do exactly the same—if they are not already doing it—and, secondly, it does not really help to say, “Well, because we’re spending a bit more, it covers that up”. Covering it up is not the answer. We are here to hold Governments to account, as I am sure the Minister will know. The aim is not to have accountancy of this type. That is where the Government have to answer.

I want to conclude on a wider point which is entirely political. We have talked about the potential threat from Russia, terrorism and other issues. What we do not

look at in this current debate about Brexit is how Europe will change. We are so focused on the changes that the United Kingdom has to make, but we need also to focus on what will happen in the European Union, which cannot stay the same as it is now unless it is to have more problems of the type it has had with Brexit. There is discontent in Europe for a variety of reasons—they are not all the same as those here, but many are similar.

One of my concerns in this context was brought out by Mr Tusk's comments on Mr Trump. He said that we should now see the United States as one of the risks faced by Europe. That is a dangerously unwise statement to make, but where it is true is that there is a problem about the relationship now between the European Union, the United Kingdom and the United States. We need to think that through in other areas. My strong view is that we need a settlement where Britain comes out of the European Union—I do not think that there is any going back on that in the near future; some people may disagree—but it does not come out of Europe. We must recognise that we need, and Europe needs, a very close relationship—indeed, a special relationship—between the EU and the UK. One way to do that—and it is not discussed in the present debate about Brexit—is via our expertise and our contribution in defence and international relations. Europe needs that as much as we do. In the current situation, we need to do more than just step up to the plate; we need to take a lead on defence and international relations in a way that not only reassures Europe that we are not walking away from it but helps cement what will have to become a special relationship between the European Union and the United Kingdom.

For all those reasons—and I recognise the economic priorities around—we need to increase the spending, not to get back to Cold War proportions but to recognise the threat from President Putin and the threats in the rest of world. I would also make a special plea for paying a bit more attention to how all the nations within NATO account for the money they provide. It is not sufficient to say that it is all right to use it for pensions and United Nations peacekeeping. If we allow that philosophy to go any further, let us not be surprised if other countries use it, too. That is a seriously bad idea for all of us.

7.59 pm

The Minister of State, Ministry of Defence (Earl Howe) (Con): My Lords, I congratulate the noble Lord, Lord Touhig, on his Question and on highlighting the importance to the alliance of all member states meeting the NATO target to spend at least 2% of their GDP on defence. I am grateful to all noble Lords who spoke this evening.

The alliance remains the world's most powerful defensive organisation. For 68 years it has kept the UK and our allies safe. Today, it plays a critical role in deterring Russian aggression, strengthening Iraqi institutions, training local troops to stop Daesh and helping Afghanistan rebuild its security structure, to name but the most important of its current tasks. However, as a number of noble Lords today stressed, in today's world of growing dangers, NATO is becoming more important than ever. It is worth mentioning what the new US Defense Secretary, James Mattis, said at his confirmation hearing:

“If we did not have NATO today, we would have to create it”.

The trouble is that in recent decades we have seen a marked decline in defence spending. Today, the UK remains one of only five nations to meet the 2% target. The best estimate for 2016 is in fact 2.21%, as my noble friend Lord Jopling pointed out. I also take the opportunity to remind noble Lords that the budget will increase by 0.5% in real terms each year of the Parliament. However, five countries in the alliance invest less than 1%. That approach is no longer sustainable. In the face of multiple and diverse threats, NATO must become adaptable by design: that is, transparent, flexible and able to take tough decisions swiftly. In turn, that requires us to spend more, more consistently and more efficiently. That is why from the Wales summit in 2014 through to the Warsaw summit in 2016 and beyond, the UK, alongside our US counterparts, has led efforts to encourage nations to put their money where their mouths are.

So, on the noble Lord's Question, what progress have we made? Here I depart slightly from my noble friend Lord Attlee, with great respect to him, because the answer is quite a significant amount. Thanks to the defence investment pledge signed by NATO nations in Cardiff, we not only halted NATO's decline in defence spending but reversed it. In addition to the five allies who meet the alliance target, a further 20 increased their defence spending and seven others plan to reach the 2% target by 2024. At the same time, we should not forget that overall spending is not the only metric we use to measure NATO progress. Three other factors are worth mentioning.

First, we have also seen 10 nations increase the proportion of their investment dedicated to new capability. The noble Lord, Lord Clark, was absolutely right to highlight how critical that is. At a time when our adversaries are making exponential advances in fifth-generation airframe technology and advanced communications, NATO must dedicate itself to developing vital disruptive capabilities, from cyber to space, and from autonomy to big data, to avoid obsolescence and keep ahead of the curve.

Secondly, NATO is becoming far more agile in being able to deploy its forces when the call comes, whether that is Daesh terror in the south or Russian aggression in the east. Since the Wales summit, NATO set up a very high readiness joint task force, the VJTF, to respond in short order to a full range of security challenges from crisis management to collective defence. We have also seen NATO planes policing Baltic and Black Sea skies and we established an enhanced forward presence in eastern Europe. That is currently in train. I am proud that the UK takes a leading role in all these areas. We are leading on the VJTF, we are sending our Typhoons to safeguard Romanian and Polish airspace, and we are deploying around 800 troops to Estonia, alongside around 200 troops from France and Denmark. We are also deploying a reconnaissance squadron to Poland of approximately 150 personnel, who will come under US command.

Thirdly, we are seeing the alliance become more interoperable. One of the NATO alliance's greatest achievements has been enabling multiple nations to communicate, plan and operate together. Yet there remains work to be done, especially when aligning the

[EARL HOWE]

defence aspirations of the European Union and NATO. Rather than be distracted by the prospect of European armies or joint HQs, we encouraged our EU colleagues to build on progress already made on tackling migration, applying sanctions to Russia and strategic communications. The joint declaration at Warsaw was about making these two organisations complementary not contradictory, working together on countering hybrid threats, enhancing resilience, building defence capacity, cyber defence, maritime security, and exercises. Clearly, that declaration was a welcome step in the right direction.

The noble Lord, Lord Touhig, focused on the budget and in particular the 2%. He expressed his concern about creative accounting and, I was sorry to hear, accused the Government of shamelessly massaging the figures. I gently point out to him that the House of Commons Defence Committee disagreed with that view. It said that there had been no creative accounting. Indeed, the prime reason it said so is that NATO determines the definitions for categorising defence spending, not the Government. As with other NATO allies, the UK updates its approach to ensure that it categorises defence spending fully in accordance with NATO guidelines by capturing all spending contributing to the defence of the United Kingdom.

I take the point of the noble Lord, Lord Soley, on the necessity of comparing like with like. All NATO members are assessed using the same guidelines so it is right that we should complete our return along NATO's metrics or we could not be compared accurately with our allies. Incidentally, only one NATO ally does not include pensions: Bulgaria.

Lord Soley: Do the other NATO countries include things such as pensions to civilians as well as to military persons, and UN peacekeeping operations? Is that the Minister's understanding?

Earl Howe: That is indeed my understanding. We are clear that NATO wishes to quality-assure the figures that it receives so that it can compare like with like. We believe that the figures are broadly comparable as between the member states of NATO.

On another level, comparing like with like is a bit of a flawed approach. As I pointed out in the recent debate of the noble Lord, Lord Robertson, the nature of defence spending inevitably changes over time. In the past, for example, we reported significantly more operational spend, such as when we were involved heavily in operations in Afghanistan. Clearly, that type of spending has diminished considerably. At the same time, the noble Lord, Lord Murphy, questioned—he will forgive me if I got this wrong—the legitimacy of including new categories of spend in the analysis. Of course, he will recognise that new threats require new spending. We have not, historically, included any spend

on cyber but we do now and it is right that we should. From time to time, like all NATO allies, we must ensure that we are capturing all appropriate spend.

The noble Lord, Lord Touhig, questioned whether the Army had the ability to wage war. It is important to say that the Army, in line with the strategic defence and security review of 2015, is ready and capable of deploying a potent, large scale, war-fighting force at divisional level providing there is sufficient notice.

The SDSR of 2015 took us a step forward because, along with a commitment to spend £178 billion on equipment and to increase the budget year by year, as I mentioned, it mandated a modernised war-fighting Army division that will be larger and able to use cutting-edge technology to harness all elements of Joint Force 2025. Altogether, it will be a significantly more potent force and I hope that the noble Lord, Lord Touhig, would not disagree with that vision.

In a darker, more dangerous world, NATO is more important than ever. Let me reassure the House that the UK has no intention of easing up in our drive to adapt the alliance. In our strategic defence and security review of 2015, this Government spelled out our plan to strengthen our involvement, and since the referendum vote we have seen our commitment to the alliance intensify. The noble Lord, Lord Soley, said that we should not allow ourselves to lapse into complacency. I entirely agree with that, but if the progress we have made in recent years is no excuse for complacency, it is considerable cause for encouragement. It shows that the will is there.

Even those sceptical of the new US Administration's plans should have been reassured, I hope, by our Prime Minister who, during her recent press conference with President Trump in Washington, reiterated that the US was "100% behind NATO". The Government have no doubt about that commitment. While we can reflect on what the President said during his campaign—remarks such as "NATO is obsolete"—surely what matters is what is being said and done now, which is a lot of joint work. We are working with all NATO allies, including the United States, to make sure that NATO is capable of dealing with the risks posed to us. We are encouraging all allies to meet those investment targets. In fact, we believe that President Trump's election presents a unique opportunity to forge ahead with NATO reform. The allies now have a chance to invest in this vital organisation to make it more interoperable and expand its international role, showing that it makes a difference not simply to European but to global security.

For almost seven decades, NATO has been the bastion and the bulwark of our defence. By continuing to press our partners to modernise and adapt the alliance, in the face of the 21st century's mounting demands, we will ensure that it continues to be the cornerstone of our defence for many years to come.

House adjourned at 8.12 pm.